Monday June 15 1981.





and Hillier Parker-Landauer

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VEWS SUMMARY

GENERAL

Royal security review ordered

ensity officials lanuched an preent review of arrangements p protect the Royal Family ffer blank shots were fired only yards from the Queen. Home Secretary William Whitelaw will recieve a detailed report on the incident, during the Trooping the Colour, and

Marcus Simon Sarjeant, aged 17, of Folkestone, Kent, will appear at Bow Street court today charged under the Treason Act of 1842.

MPs will seek a Commons state-

Gardiner target

A car bomb defused outside Queen's University, Belfast, was meant to kill Lord Gardiner, former Lord Chancellor and "political architect" of the H-blocks, said a statement claiming to be from the IRA. Page 4

Councils to go

The Government has decided in principle to abolish the six metropolitan county councils and the GLC. Back Page

Khomeini support Iran's embattled President Bani-

Sadr received Ayatollah months. Page 4
Khomeini's blessing to continue • COMPANIES needing to in office. Respite in Majlis, Page register documents with Com-

Kuwait protest

Kuwait will protest to Iran at a violation of its airspace in which it said three Iranian warplanes opened fire on a border post near a Gulf war battle zone.

a Maori himself, said he supported partheld in South EUCALYPTUS PULP MILLS Mother's rebuke

Alfredo Rampi's mother blamed had organisation of Italian

rescue services for failing to save the six-year-old from a **Lodge sequel**

The editor of Italy's Corriere della Sera newspaper resigned because of his links with the P2 masonic scandal Lodge unconstitutional, Page 2

Japan rebuttal

Japan rejected a U.S. call for a large-scale expansion of its military capablity to resist a Soviet

Haig welcomed

U.S. Secretary of State Alexander Haig was welcomed in Peking with a banquet in the Great Hall of the People. Aim

to bolster China, Page 2

Raid on polls

Indian police shot one person dēad and injured several in blocking an attempt to seize ballot papers for state assembly

and parliamentary by-elections.

Survivors meet About 6,000 people from 23 countries join 3,000 Israelis in Jerusalem today to celebrate

their survival of Nazi extermination camps.

Le Mans victors Jacky Ickx of Belgium and British co-driver Derek Bell won the Le Mans 24-hour race in a Porsche 936.

Briefly ...

Swiss voted to add women's equality to their constitution. World population will rise to 10.5hn by 2110, says a UN

Brixton riots inquiry by Lord Scarman opens today.

- CONTENTS

Soweto: the ranks begin to Government: why a fight is Editorial comment: Ireland; Lombard: Samuel Brittan Management: family influence of Times 10

Justinian: ruling on Exxon

World Econ. Ind.... World Stock Mikts.

Rerec Group Rbbr. Growers Ass. First Union Gen. Inv. Trust PROSPECTUS

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BUSINESS

Reduced trade gap forecast by Poehl

Karl Otto Poehl forecast some improvement this year in West Germany's current account deficit, which totalled \$17bn (£8.6bn) last year, but conceded it would remain "significantly high." His remarks in cantly high." His remarks, in a speech at Cannes, reflect growing evidence of a better performance by the country's economy in the first quarter.

● U.S. MONEY SUPPLY: M-2. which includes M1-B and nonbank savings deposits, rose in May to \$1,741.7bn (\$1,735.5bn). International Capital Markets.

• JAPANESE Government suggests trade frictions would best be resolved by more direct Japanese investment in industrial countries. Page 3

● COAL BOARD is expected to receive aid worth about £200m in a Government package likely to be unveiled tomorrow. Back Page: Editorial Comment, Page

• ELECTRICITY PRICE concessions have been given to about 160 big industrial users under a Government scheme implemented in the past three months. Page 4

register documents with Companies House should deliver them by hand during the Civil Service dispute, the Department of Trade said. Page 6

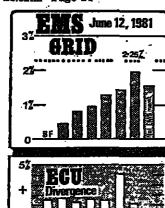
• LUCAS INDUSTRIES faces a series of strikes following the collapse of pay talks. Page 6

Apartheid backed expected in August to report a

Res Couth, New Zealand's loss of about \$120m for the year

to March Affairs and a to March St. Page 4

reported pre-tax profits for 1980 down from £3.82m to £3.52m. Page 14



on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2½ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

 DOLLAR'S steadier tendency brought comparative calm to currency markets last week: currencies were generally above the previous week's lows. The French franc fell to its lowest level against the dollar for more than 20 years, and slipped below the Dutch guilder and Danish krone within the EMS as tension mounted ahead of the first round of the French general election. A further cut in Belgian short-term Treasury bill rates left the Belgian franc unaffected; it was still the weakest currency in the system although comfortably within its divergence limit. The D-mark showed little overall change and continued as the strongest

Technology: European mar-

ence at UDS 7 Survey: Hong Kong . Insert

ANNUAL STATEMENTS INTERIM STATEMENT

World Trade

French Socialists heading for election landslide

BY ROBERT MAUTHNER IN PARIS

heading for a landslide victory in the French General Election and will probably have an absolute majority in the National Assembly, according to computer projections after the first-round poll yesterday.

داراكتر وور

Socialists between 270 and 330 seats in the 491-seat National Assembly. This would give them an absolute majority without the Communists, if the trend is confirmed in the second round of voting on June 21. The Socialists and their Leftwing Radical allies were expected to get as much as 39 per cent of the total votes cast

in the first round, compared with only 24.7 per cent in the first round of the last General Election and the 25.8 per cent obtained by M François Mitterand, the new President. in last month's Presidential elec-Altogether the Left-wing parties, including the Com-

munists, are expected to obtain 55.5 per cent, compared with 41 per cent for the old majority parties, the Gaullist RPR and

BY PHILIP BASSETT, LABOUR STAFF

collar staff whose pay dispute

enters its 15th week today amid

clear differences between unions

over members' support for an

Union leaders of the blue-

offer to be the same because

of clear indications from Minis-

ters that pay for the whole Civil

Service will be held within a

6 per cent cash limit. There

is some prospect of a reduction

industrial workers' pay year

faced with a similar pay offer, will join them in taking strike

bolster the white-collar cam-

paign and exacerbate Govern-

ambulance strikes today and on

Wednesday.

n hours toward the end of the

all-out stoppage.

vants, manual workers, in line action. Some meetings were held

collar workers expect their to present the meeting this

White-collar militants have at two or three-to-one for an

ment difficulties over public-sec- at present to be narrowly tor pay, already heightened by against all-out action.

White-collar union leaders vants, representing scientific

They feel this would leadership, the Society of Civil

been hoping that the industrials, all-out stoppage.

with the 7 per cent package last week. Most will be in the action, already offered to 530,000 white-next few days.

THE SOCIALIST PARTY is with about 15 per cent, were round of the 1978 Parliamentary Government. due to do no better than M Georges Marchais, their candidate in the Presidential elec-

Radicals 270 to 330 seats in the The projections gave the 491-member National Assembly, round onwards. an absolute majority of 22 to 82. The Gaullist RPR would UDF 54 to 74, and the Com-

munists 30 to 50.

Under the French voting outright in the first round only to stem the Socialist tide. if he obtains an absolute majority of votes cast.

least 12.5 per cent of the votes

due next Sunday, when a simple majority is sufficient. The rate of abstention, more throughout France which kept round. many voters away from the polling booths.

2,800 candidates are

Industrial civil servants

expect 7% package offer

THE GOVERNMENT is expection mainly on the members' selective action, and believes ats

ted to make a pay offer today to meetings of the service's largest members are voting by about

its 160,000 industrial civil ser- non-industrial unions on all-out four to one for this, with a

about their representativeness,

there are clear differences be-

port for all-out strikes, enough

week of the Council of Civil

committee with an extremely

difficult decision on stepping up

The second largest union.

with probably the most militant

and Public Servants, represent-

ing executive staff, is thought

The staunchly moderate Insti-

tution of Professional Civil Ser-

the Civil and Public Ser-

clerical staff, are thought to run unions

in candidates is that the Centreight parties, the neo-Gaullist Translated into seats, the esti- RPR and the Giscardian UDF. mated first-round scores would are presenting joint candidates give the Socialists and Left-wing in about three-quarters of the constituencies from the first

These two parties, who were 82. The Gaullist RPR would the squabbling bedfellows of have 64 to 84 seats, the Centrist former President Giscard d'Estaing's Parliamentary majority, have joined forces under the common banner of Union for a system a candidate is elected New Majority as the only way

By contrast, the main parties of the Left, the Socialists and All candidates obtaining at Communists, are conducting east 12.5 per cent of the votes what are in effect "primaries" go forward into the final ballot, in the first round, in which each party puts up its own candidates. It is only in the final ballot that they have agreed to supthan 29 per cent of registered port a joint standard-bearer, voters, was particularly high after withdrawal of the less yesterday, probably because of well-placed Socialist or Comextremely fine weather munist candidate in the first

President Mitterrand will be able to govern the country without Communist support in the Centrist UDF.

According to the computer Assembly, only about half the fore, be obliged to appoint predictions the Communists, number standing in the first Communist Ministers to his new

strong majority against all-out

cent of its branch meetings so

far, and only one has been

There will be differences in

support for an all-out strike,

expected to be particularly

strong-and departmental-the

DHSS and Department of Em-

Some believe that a threshold

of about 40-45 per cent support

may be necessary for all-out

action, whatever the individual

unions voting results, which may

not be forthcoming. Others feel

that if support were stronger

than that in DE and DHSS, then

all-out action in these areas could present the Government

with major constitutional prob-

lems. This may be an over-

optimistic view.

wnien will

On early returns from the Federation, also classed as meetings last week, with doubts moderate, has had about 10 per

tween the largest unions on sup-port for all-out strikes, enough mended by the union.

Service Unions major policy both geographical-Scotland is

The meetings of the largest ployment are also likely to show

vices Association, representing to be taken into account by the

The Inland Revenue Staff

Certainly the temptation will The main reason for the fall be great to go it alone. But it cannot be taken as a foregone conclusion that that will be M. Mitterrand's final decision The fact that the Socialists made an electoral pact with the

Communists for the General Election places the President under some moral obligation. And the two parties still need each other's support in the second round if vesterday's computer projections are to become a reality.

M Pierre Mauroy, the Prime Minister, appeared to be making a conciliatory move toward the Communists when he said three days ago that "the Communists were an integral part of the national community" should not therefore, be dis-

criminated against. In pre-election negotiations between the two parties the Socialists made clear that they would extract a high price for Communist participation in the Government.

Apart from having to accept the Socialist nationalisation programme the Communists would be required to endorse the Socialists' condemnation of Soviet policy in Afghanistan

Benn out of

politics until

September

By Margaret van Hattem, Lobby Staff

MR TONY BENN'S campaign

for the deputy leadership of the Labour Party received a further

setback yesterday with the announcement that ill health is

likely to keep him out of active politics until September.

This will prevent his appear-

ing at several important trade

union gatherings over the next

two months, including the

Transport and General Workers'

conference and the Yorkshire

Miners' Gala, which would have

provided platforms for rallying

rank and file support. However,

a September return would still

allow him a month's campaign-

Labour Party Conference in the

The unions, which hold 40

per cent of the vote to decide

the post, have become the crucial battleground in Mr

Benn's challenge to Mr Denis

friends and supporters are insisting that the campaign will

continue, with prominent left

wing MPs carrying out his

Continued on Back Page

speaking engagements,

Although Mr Benn's

the

first week of October.

Healev

FitzGerald and Haughey in battle for power

BY STEWART DALBY IN DUBLIN

political uncertainty and con-fusion after the indecisive outcome of last Thursday's general election.

No single party has won an from that of Mr Haughey, and overall majority in the 166-seat Dail (parliament). be would seek to continue the studies. Before the House reassembles

on June 30 to elect a Prime Minister, a great deal of negotiating will have to take place, particularly with six of the eight independent deputies, who hold the balance of power.

Both Mr Charles Haughey, leader of the Fianna Fay, who remains Prime Minister until June 30, and Dr Garret Fitz-Gerald, leader of Fine Gael, the larger opposition party, have each appounced they are going to try to form an administration.

The biggest surprise of the election was the strength of the IRA's H-block candidates. Nine prisoners in the Maze Prison, outside Belfast, stood in four border constituences and polled nearly 15 per cent of first preference votes in Ireland's system of proportional representation with a single transferable vote.

Their votes amounted to about 3 per cent of the total vote. Two prisoners were elected as deputies, Mr. Patrick Agnew, in County Louth, and Mr. Keiran Doherty, in Cavan Monaghan. Mr. Doherty is in the fourth week of a hunger strike. Their victory follows last

April's election in the Fermaugh-South Tyrone West-minister by-election of Booby Sands, who recently died on hunger strike in the Maze. Citizens of Northern Ireland

may be legally elected for the Dail as the Irish constitution claims sovereignty over all 32 countries, including the six which are part of Britain. The closeness of the result

generally and the high turn-out One of Mr Haughey's stated reasons for going to the country a year earlier than he was constitutionally obliged to was to policies on Northern Ireland. olicies on Northern Heland. https://doi.org/10.1001/10

Thatcher, the Prime Minister, and setting up joint studies to the Speaker is also a Fianna Fail look at areas of mutual interest. This approach brought Mr. Haughey criticism from the more staunch Republican elements in his party for not being tough enough Thatcher. If Mr Haughey goes into

opposition there will be pressure on him to toughen the party's position over the hunger

IRELAND faces two weeks of strikers and prisoners in H-Dr FitzGerald said during the campaign that his approach would not differ significantly from that of Mr Haughey, and

> The strength of the vote for the H-block prisoners will not be lost on Dr FitzGerald, given the narrowness of any majority he can cobble together and the fact that another election may be inevitable.

> He may come under pressure to decide that some change of emphasis is necessary.

This will especially be the case if the present wave of hunger strikers start to die and if the long hot summer which observers are predicting for Northern Ireland materialises. The two prisoners' inability

to take their seats complicates the electoral arithmatic. In order to form a Government which has a chance of staying in power for more than a few months, the new Prime Minister will have to gain support from 82 members of the remaining 164 deputies—or ensure through policy concessions that at least some of

the other 82 deputies do not vote against him. On paper Dr FitzGerald seems to have the better chance of forming an administration. His Fine Gael party won 65 seats. Fine Gael has formed coalitions with the Labour Party before. This time the Labour

drop, but it managed to re-elect 15 deputies. If Dr FitzGerald can persuade the Labour Party to support him, if not actively to participate in his Government, he will have 80 seats.

Party saw its. share of the vote

The situation is complicated in that Mr Frank Cluskey, the Labour Party leader, failed to for the H-block candidates could possibly presage changes on Northern Ireland policy whoever becomes Prime Minister. Research 1 is likely to be an hold his seat, and the party acrimonious battle possibly between Mr Michael O'Leary, the deputy leader, who is known to be pro-coalition, and Mr Michael seek a mandate to further his Higgins, a West of Ireland deputy, who is not as keen on

what by meeting Mrs. Margaret hope in forming a Covernment. Fianna Fail won 77 seats and man. The party will therefore withdraw the Speaker, and have 78 seats in the House.

> The general expectation is with Mrs Government will try to hang on until the long summer recess of the Dail, and that another general election in a year or two is all but inevitable. Editorial Comment, Page 12

will therefore look closely at and technical staff, recommends today's negotiations, their atten-continuation of the present Companies House hit, Page 6 Bank of England supports Bonn

BY DAYID MARSH IN BASLE

THE BANK OF ENGLAND has of the biggest foreign fund- by the world's leading central been helping to finance West raising Germany's budget deficit by purchasing DM-denominated notes issued by the Bonn

It has discreetly bought the notes through German commercial banks on a number of occaso. It regards such purchases as a secure and relatively highyielding investment for some of its D-mark holdings.

Although the bulk of Britain's foreign exchange reserves is in dollar currencies has been growing rapidly in recent years. The bank's purchases are not relation to the DM 34bn of

programmes deficit launched by any government They underline, however, the

increasing importance of nondollar currencies in central reserve holdings. A banks' major reason for the increased reserve-currency use of the Dsions during the past year or mark and other non-dollar cur-so. It regards such purchases rencies has been the efforts of countries like Germany, Japan and France to borrow abroad in order to finance current account deficits.

This type of recycling action dollars, the Bank of England's is one of the main items of dis-stocks of D-mark and other non-cussion in informal talks taking place between central bankers here in Basle. The central bankers, from in-

thought to have been large in dustrialised and developing countries around the world. and indirect borrowing began assembling here yester-undertaken by the day for today's annual meeting direct and indirect borrowing Federal German Government of the Bank for International are under reduring the last 18 months—one Settlements, the institution run and Riyadh.

ever hanks Bonn started large-scale bor-

rowing at the beginning of 1980 to help finance West Germany's current account deficit and also to help ease strains on the domestic capital market caused by its large budget deficit. Large amounts of D-mark

notes have been bought by Saudia Arabia and other Opec members. The subject of German borrowing from Saudi Arabia may be raised in Basle exchanges between officials of the Bundesbank and the Arabian Monetary Agency.

A significant amount-but than half-of Bonn's DM 13bn of total foreign borrowing this year has come from Saudi Arabia. The amount and terms of further borrowing

Top scientist for PWR plan

force

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

BRITAIN'S scientist is to be appointed by the Government to take overall charge of its controversial plans the PWR programme and to for building a series of power turn the NNC into an effective NNC stations using pressurised water reactors (PWRs).

He is Dr Walter Marshall, 49. who has been chairman of the Atomic Energy Authority since February. He will stay in this post while pushing through the PWR programme. At the same time, the Govern-

ment is considering restructur-

ing the National Nuclear Corporation (NNC), which at and Bechtel—to take stakes £10m. It may invite the two major PWR design companies from the U.S.—Westinghouse These two initiatives are will dominate current argubeing planned by the Govern- ments about the design of the

the time-consuming controversies which have surrounded It is not expected, however,

that Dr Marshall will become chairman of the NNC. This post has been occupied on a temporary basis—since Mr Denis Rooney resigned last month after a boardroom row-by Mr director of Taylor Woodrow. Dr. Marshall's basic job will be more of an intellectual than co-ordinator has meant that

present is capitalised at only not be involved in placing conprogrammes. Instead, it is expected that he

nuclear ment in an attempt to reduce reactors, cutting through the conflicting views of participants, including GEC and NEI whose battles have helped to split the

The problems have basically arisen because Britain is not following the U.S. practice of basing its PWR designs on established rule books. The British attitude is that accidents can best be avoided if every case is dealt with individually Frank Gibb, a joint managing and designs are started from first principles.

The lack of an overall project a managerial exercise. He will major decisions have been seriously delayed. The Prime tracts or managing the overall Minister is personally committed to the PWR construction programme and is believed to have approved Dr Marshall's

This is notine for political catch-phrases.

Left-turns; Right-turns, U-turns... But when all's said and done, it's down to earth cost-effectiveness that is going to saveBritishindustry.Especially in materials handling. For if your materials circulation stops, you stop.

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be no surprise that we are placed overall No. 1 in independent customer opinion surveys. In fact, Lansing come out on top in all the important categories such as, design, quality, reliability, long-truck life. operating costs and back-up service. (Source: Business & Market Research Ltd.

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Our advice is free and without obligation.



Backing for Kania in struggle with Poland's hardliners

BY OUR FOREIGN STAFF

Poland's Communist Party accusations by Communist hard-leader, was elected a delegate to liners that the authorities had the forthcoming special party failed to halt a campaign congress at the weekend in a against Moscow. significant gesture of support for his campaign to continue

pleasure.
The congress is due to take place between July 14 and 18, since strikes backed by Solidarity, the free trade union, launched the Polish crisis last

one of the representatives of War. the city of Krakow to the congress - Mr Kania's base is in the city of Plock - further strengthens his position follow-ing his defeat last week of a Kremlin-inspired attempt to unseat him as Polish party leader.
The Kremlin is deeply worried by the prospect of further defeats of experienced

paign for the congress. Further evidence of the battle between pro-Moscow hardliners and moderate Comyesterday in the south-eastern on a Soviet war intervention

and loyal pro-Moscow party loyalists in the election cam-

STANISLAW KANIA, memorial This followed fresh

The hardline weekly, Rzeszywistosc (Reality), with widespread reform in the whose views have been favour-face of profound Soviet dis- ably reported in the Soviet media, said there had heen about 30 attacks on Soviet soldiers or their families in

In the latest such attack yes terday paint was daubed on a monument of gratitude to the Soviet soldiers who liberated Lublin on their way to Berlin September.

Lublin on their way to Berlin
The election of Mr Kania as at the end of the Second World

> Mr Lech Walesa, the Solidarity leader, who was in Lublin, condemned the incident in an interview on Polish nat-ional television and called it a provocation. "Someone wants to say that we continue to pour paint on monuments, destroy memorials of the Soviet army. that we are biased against the Soviet Union," he said and offered to clean off the paint

In a separate interview due to appear today in the West German magazine Der Spiegel, would offer effective resistance city of Lublin where police both actively and passively, in were investigating another the event of a Soviet minitary

Italian ruling clears way to settle P2 affair

which many people in public life are alleged to belong has been ruled by a special commission to be a secret society in breach of the constitution.

The commission's ruling Liberals, means the removal of P2's The C members from public life can

The decision of the threeman commission was announced at the weekend by Sig Giovanni Spadolini, Prime Ministerdesignate and leader of the Republic Party. The chances of his forming a government are considered good. It would be the first since 1946 not led by a Christian Democrat.

Sig Spadolini will report today on his progress to Presi-dent Sandro Pertini, before and security services.

ITALY'S P2 masonic lodge to starting discussions on the programme for his Governm This appears likely to be a fiveparty coalition of Christian Democrats, Socialists, Republicans, Social Democrats and

> The Government would be formed after next weekend's regional elections.

Sig Spadolini's priority is to clear up the P2 affair whose ramifications have convulsed Italian life for the past month. The official dissolution of the lodge will require an Act of Parliament.

Some 324 public officials and politicians are alleged to be among P2's 953 members. Some have already been sent on leave.

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of dependability;

expansion.

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terms up to 15 years;

800 k.m

Haig aims to bolster China against Russians

BY TONY WALKER IN PEKING

MR ALEXANDER HAIG, U.S. have official talks with Mr Deng "intelligence collection facility" Secretary of State, arrived in Xiaoping, Vice-Chairman, on his Peking yesterday, apparently four-day visit. prepared to push the Sino-U.S. relationship into new areas of strategic co-operation against the Soviet Union.

grapple with Chinese displeasure Asia. over U.S. arms sales to Taiwan. In the lead-up to Mr Haig's visit, Peking made it clear it regarded continued sales as an impediment to the development of rela-

A senior Foreign Ministry official said China is not willing to compromise on the issue. This

A senior official in the Haig party said the Secretary of State would discuss ways of bolstering China's defence against However, first he will have to Soviet military pressure in

> The official said the relationship between the U.S. and China is far more important than before because of the growing presence of Soviet capabilities in the

The U.S. is known to be conhad been made clear to the U.S. cerned about Soviet use of the Among others Mr Haig is to naval base and sophisticated

at Cam Ranh Bay in Vietnam. It believes use of this base by Soviet warships poses a threat to Pacific shipping lanes and U.S. military facilities in the

American officials expect to meet Mr Geng Biao, China's Defence Minister, to discuss possible arms sales.

The U.S. has not agreed previously to sell offensive weapons to China. When Mr Harold Brown, the Defence Secretary was in Peking early last year, he told the Chinese they could buy defence-related technology such as communica-

Chinese to show much interest in large-scale purchase of arms. mainly because China is short of money.

One item believed to have been given priority by the Chinese is anti-tank weaponry. Mr Haig is the first senior member of Mr Reagan's Administration to visit China.

On arms sales to Taiwan, an official close to Mr Haig said: "We will tell them we will people of Taiwan as we have since normalisation.

U.S. officials do not expect the existing levels of arms sales. U.S. officials have said they will make clear that the Reagan Administration is committed to

meeting Tarwan's legitimate defence needs. Other issues likely to be discussed by Mr. Haig are trade matters, including the dispute between the two countries over

textile quotas, and Kampuchea. Reuter reports from Peking: Mr. Haig and Mr. Huang Hua, China's Foreign Minister, called continue to manage our for co-operation between their unofficial relationship with the countries in the face of "Soviet for co-operation between their aggression and expansionism." They stressed their mutual

This is unlikely to satisfy the security interests and agreement tion equipment and computers. Chinese. They are unhappy at on many issues.

Iran's **President**

OF

The Speaker of Iran's Parliament yesterday blocked tem-perartly a debate on President Abolhassan Rani-Sadr's political competence. The debate could lead to the President's dismissal, Reuter reports from Tehran. More than 120 deputies had signed a petition calling on the assembly to diseass the President's position urgently. They accused him of violating the constitution and said his office and newspaper had caused clashes in Iran. Another group of 18 deputies signed a separate declaration accusing Mr Bani-Sadr. who was last reported to be in hiding in the capital, of inciting riots and sedition. The Speaker, Hojatolesiam Hashemi Rafsanjani, ruled Hashemi Rafsanjani, ruled that the issue was of such significance that it would have to be prepared carefully by Parliament's 12-man managerial board. He gave no indication when the debate would take place.

F-15s for Pakistan:

THE U.S. has agreed to deliver F-15 fighters to Pakistan as part of \$2.5bn worth of arms and economic assistance over five years. The number of aircraft has still to be decided, according to diplomats, KK Sharma reports from New Delhi. Talks on the aid began at the weekend in Islamabad between the U.S. Under Secretary of Security Assistance, Mr. James Backley, and Mr. Agha Shahi, Pakistan's Foreign Minister: Pakistan is seeking a minimum of six squadrons of F-15s. The U.S. is reported to have offered iust 15 aircraft.

Appeal by Begin Mr. Menahem Begin, Israel's

Prime Minister, has issued a direct appeal to the U.S. people seeking support for the Israeli raid on the Iraqi nnelear plant a week ago,

anger over ETA refuge

A VISIT to Madrid by the been a change of Spanish tactics militant Basque separatist the Spanish Government has organisation. ETA. That is the conclusion being drawn here from official silence or the state of the breaking diplomatic relations—the sought to calm the issue by quiet diplomacy. from official silence on the issue after M Cheysson's departure on Saturday.

The Spanish Government was stage, M Cheysson's visit was nearly postponed.

towards the Mitterrand adminis-Claude Cheysson has confirmed tration. Rather than worsen France's unwillingness to grant their differences — and there

country of human rights and historic respect of political liberties it is willing to grant so incensed by the attitude of political asylum. At the same the new French Administration time the Mitterrand Administraover extradition that, at one tion will do its best to stamp out terrorism on French terrinearly postponed. tory, especially on the French
The main upshot of the Basque side of the border with
Cheysson visit appears to have Spain.

Paris unmoved by Spain's French and Saudis reaffirm ties

THE DETERMINATION of France and Saudi Arabia to maintain close political and economic links emerged at the weekend following a meeting in Paris between President François Mitterrand and King Khaled of Saudi Arabia.

Immediately after the elec-tion of the Socialist President, there were widespread fears of a breakdown in the relationship with the Saudi Government because of M Mitterrand's noted sympathy for Israel.

Statements from both sides yesterday, however, emphasised the large measure of agreement between the new French Administration and the Saudi The French appear to have supplies more than 50 per cent overcome Saudi reservations of its oil, might be hit. He said partly by re-emphasising President Mitterrand's strong con-viction that the Palestinians have a right to their own homeland—a point which was restated yesterday by M Claude Cheysson, the Foreign Minister. At the same time, the Presi-

is an important issue for France, because of the high level of Saudi investment Beurit: Mr Philip Habib, the Prince Ibn Abdel Aziz, the U.S. special envoy to the Middle Saudi Defence and Aviation East, held talks with Saudi

"fantasy" the statement by Mr Menahem Begin, the Israeli Prime Minister, that the Iraqis had built a secret nuclear weapons research laboratory dent reassured his visitors about the general direction of French economic policy. This under the atomic research centre near Baghdad.

James Buchan writes from Beurit: Mr Philip Habib, the Minister, dispelled fears that officials in Jeddah yesterday over France's developing trade with the Syrian ground-to-air missiles Saudi Arabia, which now in east Lebanon.

that the Saudis would continue

• The French Foreign Ministry

industry. Three hundred and placed by the public sector With mortgage interest rates

> Renter reports from Jeru-salem Officials said the appeal was in a message Mr. Begin sent to a pro-Israel rally in New York. The Prime Millsters had explained that "if the Iraqis had dropped atomic bombs on us, 600.000 Israelis would have been

Decline in new orders for W. German building industry

BY KEVIN DONE IN FRANKFURT

post-war interest rates is taking a heavy toll of the country's construction industry.

The building sector with a workforce of more than 1.2m suffered a drop in new orders from domestic customers in the first quarter of 13.7 per cent to DM 15.4bn, a drop in real with the first quarter of 1980.

Employment in the industry orders decline that had already domestic building workforce at weather conditions.

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professionals to assist you in all phases of your U.S.

THE GROWING squeeze on 1,208,000 was 53,400 or 4.2 per public spending in West Germany combined with record and the West German Building Industry Federation expects the rate at which jobs are lost to accelerate over the second half of the year.

Activity on the country's

building sites measured in the number of hours worked slumped by 19.4 per cent from terms of 19.2 per cent, compared January to March this year com-1980. Even taking account of is also dropping as building the less days worked because activity falls reflecting the of the greater number of public of the-greater number of public holidays there was still a fall set in last year. of 17.9 per cent, a drop accen-At the end of March the tuated by the unfavourable

Hardest hit by falling orders bankruptcies in the building the slump in new contracts are companies working in road construction and site preparation for the public sector. In real terms new orders for highway construction plunged by 31.2 per cent in the first quarter of 1981 against the same quarter

The building industry in West Germany is dependent on central and local government for no less than 80 per cent of its orders and it fears a drop of at least 10 per cent in production in this sector in 1981 as a result of the tightening budget

its toll in the form of rising dent of the building industry is activity on foreign contracts.

fifty-two companies - mainly smaller and medium-sized firms with at most 300-400 employees were declared insolvent in the first quarter this year. The sector has thus nearly reached its highest ever quarterly total of 358 building company failures registered in the first three months of the recession

The chief reason for the growing recession in the industry—new orders have been esult of the tightening budget on a downward trend since the big German building groups are third quarter of 1979—accord-now dependent for up to 60 per Falling activity is also taking ing to Dr Glinther Herion, presi-

at only 5.6 per cent, house buying and house-building has also become an extremely expensive proposition, however. Building approvals for new homes in January and February were 17.6 per cent below last year's level

up to 12-13 per cent in West Germany, and inflation running

The one area where busines is still booming is in overseas construction and some of the

BANGLADESH AFTER THE COUP

A fragile peace which could still be torn apart

BY KEVIN RAFFERTY RECENTLY IN DACCA

begun in Bangladesh for the desh lies at the end of the election of a new president. The top army commanders are trying hard to repair the damage in their own strifetorn ranks in case the army feels the need to step in again to prevent the poverty-stricken country from toppling into chaos. Dacca, life seems to have returned to normal after the

assassination of President Zia ur Rahman. Shops are open. Business has resumed. The dead President was buried after a hero's funeral. His assassins have themselves been killed or fled. There are no tanks or and most of the soldiers to be seen are without guns. All peace and underneath it there are signs of ambition and instability which could tear aparr the fragile gains made during the five years of relative peace under Zia's rule.

Zia held the country together and tried to drive it forward. Gross National Product, for what that is worth as an indicator of progress in a 90 per cent rural country with per-capita income below \$100 and where 50 per cent of the people are landless, went up by 4 per cent a year. Plans were laid for achieving self-sufficiency in-food by the middle of the decade and for a workable birth control programme, so that extra mouths would not gobble up the little extra produced each year. But actual progress never matched the rich promises because Zia never smashed through the oligarchy of landed and other vested interests. In fact he came to depend on them. It is these groups who are now threatening to fight over the miscrable pittance that Bangladesh offers. Looking at the contenders for power in Bangladesh is rather like looking at a kaleidoscone jampacked with ambitious but not always especially talented men jostling for the front posi-

and so complete chaos is still possible. It is tempting to ask why that matters. After all, Bangladesh, in spite of ranking eighth in terms of population with 95m people, is hardly a force on the international map. It matters

tion. If the kaleidoscope gets

jammed, as many commentators

think likely, then the army

might feel the need to take over

again. But the army has its own

kaleidoscope of ambilious men.

development dream, the idea that by pumping in aid and setting un development projects poor countries can be made-if not prosperous-at least less poor. But Bangladesh after hav-

ing billions of dollars pumped in is still desperately poor. Its On the streets of the capital, halance of payments is still propped up by \$1.5bh each year and the need will soon rise to \$2hn. This is just to keep it ticking over at subsistence level. Second, Bangladesh matters because the country is almost surrounded by India. Upheaval in Bangladesh presents Mrs Indira Gandhi with some diffiarmoured vehicles on the streets, cult choices. It would be difficult to stop chaos in Bangladesh from spilling over into India. seems calm. But it is an uneasy Mrs Gandhi, anxious to stop instability from spreading, might be tempted to step in or to fight a proxy struggle through the contenders for power to ensure stability and a friendly government. But that could backfire because of the ambiguous views in Bangladesh towards India: gratitude for India's role belping to tear India's role beloing to tear League supporters, was shelt-the country away from Pakistan; ered by India until she returned

DEMOCRATIC processes have for two reasons. First, Bangla- hostility because of Hindu-Muslim rivalry and resentment towards some of Indias big brother tactics seen a week before Zia's death when Mrs Gandhi ordered gunboats to seize control of a new island in the Bay of Bengal disputed with Bangladesh.

A sign of the desperation of the elite in Dacca is that increasingly two women are being spoken of as possible contenders for the Presidency: Begum Khalida Rahman, the widow of the assassinated president, and Mrs Hasina Wazed, the daughter of the previous murdered President. Mujibur Rahman and the country's first leader. In any muslim country, where women are normally sheltered and kept in the home, it would be remarkable to see a woman openly contesting for power. Bangla-desh is 90 per cent muslim and deeply religious if not as fanatical as some other Islamic countries.

Mrs Wazed, or Sheikh Hasina as she is known by her Awami



Mrs Gandhi: quick to mourn

from exile a matter of weeks before Zia was killed.

Begum Khalida Rahman only stepped into the public time light to accompany her husband in the last year or so - in the early years of his power she stayed at home to look after their two sons. Zia pointedly said that he was not interested in starting a family dynasty nor even starting a family business as some other Third World rulers have.

Without a major figure it is easy to see the ruling Bangladesh Nationalist Party break-ing into at least si- of its hotchpotch element. The Awami league badly needs Mrs Wazed's magic connection with Sheikh Mujib — "the father of the nation" — to keep it to-

If any candidate can reach out and greep the official handles of power, including radio, Press and television, he or she will have a head start.

This is where the army is still crucial. The acting President, Justice Abdus Sattar. praised "the unqualified support and co-operation of all meners of the armed forces." clear indication that the army is still holding the ring of goverament. In the country at large it has not escaped attention that the killings of two Presidents were done by army offi-

One senior general still said to be hungry for power was promoted last week and is to be posted safely our of the country. The handful of generals left are said to be more professional and determined whatever their differences in outlook, to repair the damage done to the armed damage done to the armed forces But this does not mean that they will "sit back and let the politicians make maybem

FINANCIAL TIMES, published daily encept Sundays and holidays, U.S. subscription rates \$365.00 per synum. Second Class postige and st. Row

The questions which linger over Zia's murder AGATHA CHRISTIE might

have known what to make of the mystery and muddle over the assassination of President Zia ur Rahman. Official versions suggest that it was the work of an individual who had lost his bead. Major General Abdul Mauzoor accused of leading the rebellion must have been savagely disappointed at being asked to give up command of the 24th infantry division to take charge of the staff college. It may well have been an amhitious act of reprisal. Even so there are many unanswered questions.

Why were the armed men not challenged as soon as they entered the grounds of the circuit house in the eastern part of Chittagong where the President was sleeping? Why was security so slack when the President had been warned that he would not be safe in Chittagong? Why was such a poor fight made for the Presidents life?

If it was an isolated rebellion why were the Dacca-Chittagong telex and cable links cut before the killing, and cut, according to sources, from the capital? Why was it that Chittagong radio played the opening news bulletins from Dacca at 07.00 before the plugs were pulled out and the service did not resume until over two hours later in rebel hands? Were the rebels expecting a message on the Dacca news confirming that coordinating action had been taken in the capital?
Why did General Manzoor,
perhaps the most able of allBangladesh's generals, commit

so many blunders? Why did he not make a better attempt at fleeing when, by all accounts, he had several hours start and the Indian border can be reached in four hours? Why, when he was in police custody, was he then killed on being handed over to the army? The suspicion must be that he was befrayed. But by whom?

as one officer put it

West Germany (Tix: 4189617) Paris: 48, Rue de Tocqueville, 75017 Paris, France (Tix: 641929)

London: 61 Queen Street, London EC4R 1AL, England (Tix: 887944)

Frankfurt: Hamburger Allee 2-10, 6000 Frankfurt/M. 90

Japanese consider boost for foreign investment

BY OUR WORLD TRADE STAFF

JAPANESE Government white paper suggests trade frictions between Japan and its chief trading partners would best be resolved by increasing Japanese direct investment in advanced industrial countries and stepping up industrial and technological co-operation.

The white paper, released at the weekend in Tokyo, coincides

with the visit to Europe this week of Mr Rokusuke Tanaka, the Minister of International Trade and Industry (Miti). During his visit, Mr Tanaka is expected to reach agreement. expected to reach agreement with the Benelux countries on reduced and controlled exports

of Japanese cars.

The annual white paper said Japan should change its export structure from mass production to one depending on high valueadded manufactures using Japanese-developed technology.

The 1981 report reflected the

increasing protectionist pres-sures brought to bear on Japan in its dealings with the West over the last year. In 1980. the Miti report concentrated on how well Japanese exports had adjusted to the second oil

The current report stressed the need for Japan to shift to high value-added industries to forestal protectionist pressure. This would produce such desirable effects as a further



Tanaka: visit to Europe

omotion of an international division of labour, it said.

Miti officials releasing the report emphasised that a collec-

tive settlement of the European car export problem was not possible as long as EEC member-nations maintained individual restrictive policies towards Japanese imports. The report said the recent arrangement to control exports to the U.S. was " exceptional undertaken to maintain free trade.

ernment official said important most important test market.

details of the Japan-Belgium government-run accord had to be worked out at a meting in Paris today between Mr. Willy Claes, the Belgian Economic Affairs Minister, and Mr. Tanaka. These in-

would opply and their exact ex-tent. Japan has indicated that they will be 7 per cent less than 1980 levels. Agencies add: Japanese car exports showed signs of falling off in Western Europe last

clude the period for which the

Japanese cuts in car exports

Toyota, the country's largest car manufacturer, said it shipped 18,349 vehicles to the EEC, 22.1 per cent below the May 1980 level. Nissan, the second largest producer and maker of Datsun cars, said its exports fell 5.4 per cent to

However, Japanese car sales in Switzerland continued to rise sharply in May with the fivemonth total 39 per cent higher than a year ago, the Association of Swiss Automobile Importers reported. The Japanese share of the Swiss market increased from 20 to 27 per cent, replacing the French as the second largest importing group behind West Germany.

With no car production of its In Brussels, a Belgian Gov- Switzerland is rated as Europe's

NTT move to increase purchases from abroad

TOKYO—Nippon Telephone and Telegraph (NTT), Japan's system that has agreed to open up equipment purchases to foreign suppliers, is making its new procurement produres better known to U.S.

companies. NTT officials said their company will hold a five-day orientation programme start-ing on June 22 for about 70 telecommunications equipment producers.

NTT is publishing a guidebook on the procedures for potential suppliers in Japan, the U.S. and other countries. Mr Takehiko Hashimoto. deputy director of NTT's international procurement policy division, said the company has decided to hold the orientation programme at a request of the U.S.

The guidebook has just

The guidebook has just been published and is to be made available free of charge on request, according to officials. It will explain in detail NTT's future procurement plans and procedures.

The U.S. and Japan signed

a three-year agreement toward the end of last year to open up NTTs equipment purchases to foreign bidders starting on January 1. At the time, the U.S. trade negotiator. Mr Reubin Askew. estimated that NTT purchases from foreign companies would total about \$3.3hn (£1.68hn) a year.

NTT officials said only 12 foreign companies have applied for qualification to participate in the bidding. Bids for some products are still being accepted, but no foreign companies have been among successful bidders.

Mr Hashimoto said he

would increase gradually as the procurement procedures become better known.

CAR PARTS COUNTERFEITING

West hopes for Taiwan curb

BY ROBERT KING IN TAIPE!

EUROPEAN manufacturers have ended a visit to Taiwan cautionsly optimistic" about chances of effective Taiwanese action against the counterfeiting of motor parts and acces-

Delegates from the Comite de Liaison d'Enquipements et de rieces d'Automobiles said they were encouraged by the Taiwan Government's apparent sincerity in pledging to crack down on trademark and product counter-

During a week's visit they had talks with Y. T. Wong, Vice-Minister of Economics, Mr Vincent Siew, Deputy Director of the Foreign Trade Board, and Mr T. S. Lin. Chairman of the National Federation of Chinese Industries.

The talks reflected European manuaftcurers' growing con-cern about Taiwanese companies producing goods mas-querading as branded European products and selling them on third markets, especially in the Third World.

The subject has been raised repeatedly with the Taiwanese authorities and has aroused sharply adverse comment from political leaders.

Tainwan has drafted regula-tions which, if properly implemented, could dent significantly the export of spurious goods, the European delegation said. The regulations cover five key

• Exporters must state if the goods carry a trademark.

• They must submit a letter of authorisation from the trade-mark owner and a photocopy of the trademark registration certificate for marks registered in Taiwan.

 Documents must be sub-mitted showing that the buyer has instructed the manufacturer to use a trademark registered abroad but not registered in Taiwan. The Board

of the foreign registration cer- turers time to prepare the necestificate or a letter of authorisa- sary documentation," the Govtion from the trademark ernment said.

holder. • Exporters must submit documents showing the buyer has instructed the maker to use a given mark and stating that the mark has not been registered overseas, if the mark is registered neither in Taiwan nor abroad. The Board of Foreign Trade may ask for a letter containing the buyer's guantee that there has been no counterfeiting of the trademark, and stating that the buyer takes full responsibility should the mark

counterfeited. Goods, as well as innter and outer cartons, must be marked with the place and country of origin. When the goods are too small, or are packing materials. parts, components, and semifinished products which overseas buyers will assemble or manufacture, the goods may not be marked, but the cartons must be. Exemptions are possible only with prior approval of the Foreign Trade Board.

The Taiwanese authorities have proposed a new statute increasing the penalty for trademark infringement from a maximum of two years to a maximum of five years' imprisonment. Currently, a person convicted of counterfeiting can convert his jail term to a fine of New Taiwan \$27 a day (about 40p). Under the new statute, he

would be denied this option. must submit to the Bureau of Standards certain safety-critical parts for inspection. These parts, including components of brake, steering, and -clutch assemblies, will be checked at

The other regulations cover-

During their visit the Europeans saw other striking examples of trademark counterfeiting. At the Permanent Products Exhibition of the China External Trade Development Council at Taipei Airport, they found about 20 cases of blatant false marks, they said.

In the council's promotional magazine for the motor parts show held last week there was advertisement containing photos of another "five or six" counterfeited products. representatives said.

They noted that in recent Taiwanese manufacturers have attempted to register such marks as "British Leyland," "Audi" (including the four rings), "Borg-Warner," "Fiamm," and an oddity called "Rolls-Rocye" (sic), complete with a suspiciously familiar "RRR" symbol. Manufacturers apparently attempted to register these marks to avoid having procure letters of authorisation from abroad.

The European manufacturers aid they understood the Taiwan Government to be greatly concerned about the problem. Mr Siew had referred to the traffic 'illegal, immoral, and harmful," but particularly to the end users of the goods.

The delegates, while appre ciating the sincerity of authorities, are waiting to see a diminishing number of counterfeits Taiwan - made abroad before delivering judg-

They intend to continue monitoring the situation for several the same time for counterfeit months. If there is no signi-trademarks. If there is no signi-ficant improvement, they will bring pressure to bear on their ing trademark usage will take respective governments, as well effect from August 1. They had as the economic community as been scheduled to take effect on a whole, to place whatever of Foreign Trade may request June 1, but implementation was sanctions are possible on the exporter to submit a copy postponed "to give manufac Taiwan-made goods.

S. Koreans to build Prudhoe plant:

By Ann Charters in Scoul

Heavy Machinery has signed a contract with Bechtel of the U.S. to build a \$150m: (£76.5m) floating salt water treatment plant for Prudhoe Bay in

Alaska. The barge-mounted plant, to he delivered in May, 1983, will have the capacity to supply 2m barrels daily of industrial-use water required for oil explora-

Daewoo's part of the contract for domestic materials, labour and technology amounts to \$84m. The balance will be used to import electrical and pumping equipment that cannot be supplied locally. The facility will be built to a Bechtel design_

Primary competition for the project came from two Japanese companies. Daewoo currently bas an

posed of contracts for vessels at \$420m and contracts for offshore drilling rigs at \$410m. Chemical Industries is to license its paints manufacturing technology to Korea Chemical

Company, Sue Cameron writes. The Korean Government has given approval for the signing of a formal agreement which will last for five years initially.

Belgian train order

Belgium will sell Vietnam train locomotives and other railroad materials worth amout BFr 1bn (£12:5m) under a contract signed in Hanoi. AP reports from Brussels. The agreement was reached between the Vietnamese Government and the Belgian companies Cockerill and Brugeoise et Nivelles. It will be financed partly by a state loan of BFr 250m and partly by private subsidies of BFr 750m

Burroughs in Nippon Electric tie

concluded an eight-year agreement licensing Burroughs to automate postal handling Corporation of the U.S. to manufacture and sell optical character reading systems for \$10m to the Japanese company the U.S. Postal Service for 6 per cent royalties and key

agreement will help Burroughs meet a \$70.6m Usps order for the supply of 126 machines beginning from October 1982,

over eight years.
Under the licensing agreement, Burroughs will pay about parts of the machine Nippon

will ship. The company said it will contimue to team up with Burroughs to get additional orders expected from Usps.

Profit levels remain unsatis-factory, the association says,

a growth in turnover. This

prices and generally less

Imports into Switzerland are

running at a lower level this

year than in 1980, according to

latest government figures. In

the first four months, import

value totalled SwFr 19.55bn

compared with SwFr 19.89bn for

the corresponding period last year. Exports rose from

SwFr 15.94bn to SwFr 16.88bn,

iavourable market condi

TOKYO—Nippon Electric has The order is part of the Hitachi has signed separate included an eight-year agree. Postal Service's \$500m project contracts with Schloemanncontracts with Schloemann-Siemag and Mannesmann Demag of West Germany to supply technology for making cold steel pressing machines. The contract values were undisclosed. but the company said it has been requested by three more European machinery West makers to supply the tech-

Swiss machine exporters meet sluggish markets

BY JOHN WICKS IN ZURICH

EXPORT BUSINESS of the sign in the first quarter. Swiss machine-building and metals industry is showing a decline in real ferms this with an increasing number of year so far, according to a producers showing a decline in report issued by the USM trade earnings at the same time as organisation in Zurich

In the first quarter, export trend is expected to continue orders of SwFr 2.5bn (£600m) in view of lasting pressure on were higher by 1.7 per cent of quarterly average for 1980. As foreign sales account for nearly two-thirds of the industry's business, this meant nearstagnant growth despite a 7.8 per cent improvement in domestic orders.

By the end of March, total order book value had reached SwFr 14.1bn, the highest since boom year 1974, although, taking inflation into account, this narrowing the trade gap by means there was no real expan- nearly one-third to SwFr 2.68bn.

Spain deal to build aircraft in U.S.

PARIS — Construcciones (Casa), the Spanish aviation company, has signed a memorandum of intent with its U.S. distributor, American Casa Distributors, under which Case's 212 Aviocar commuter aircraft will be manufactured in the U.S. under licence. The accord was signed at the Paris Air Show and fixes four months for a joint feasibility study to be established.

The 212 Aviocar is in operation with five commuter airlines in the U.S. in both its passen ger and cargo versions. A total of 33 aircraft has been sold in the U.S. market.

 Rolls-Royce has established a company in Saudi Arabia to construct, operate and maintain gas turbine electrical generating equipment. The company, Rolls-Royce Industrial Turbines Saudi Arabia, is 51 per cent owned by Rolls-Royce and 49 per cent by Saemco, a Saudi engineering concern.

Pilkington in joint venture

By Our World Trade Staff with Fahd Altobaishi to manu-

It may draw in a further part-ner-Mabco, the largest Saudi construction company. Discussions are continuing. The joint venture will give Pilkington access to Saudi con-

on its own accord.

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Saudi group orders ships

BY ANDREW FISHER, SHIPPING CORRESPONDENT

JAMEEL SHIPPING Holdings, the Bermuda-based offshoot of the Saudi Arabian Jameel group, has placed an order believed to be worth nearly \$25m with Tsuneishi Shipbuilding of Japan for two 40,000 deadweight ton bulk carriers. The shipping company has interests in 15 ships, including bulk carriers, car carriers, multi-purpose cargo ships and

oil tankers. A further order for a similar bulk carrier is expected to be signed with the Tsuneishi yard by a joint venture company Ugland interests. between

Management of Norway, Jameel Shipping and other interests. Jameel Shipping did not announce the value of the initial order, signed in Monte Carlo a week ago. As well as its service company there, it is represented in London through Jameel Organisation and has a

management company in Hong It forms part of the activities of the Jameel family, a major importer of Toyota vehicles into Saudi Arabia from Japan and owner of U.S. real estate, high technology, and oil and gas

PILKINGTON, the UK glass manufacturer, has formed a joint venture in Saudi Arabia facture glass reinforced con-crete products. The name of the company will be GRC (Saudi

tracts it might not have obtained

SHIPPING REPORT

Cargo, tanker trade stays slack

BY OUR SHIPPING CORRESPONDENT

THE DRY cargo market showed 35-351 either commodity or shipping levels. The tanker market, too, remained slack.

Coal from Hampton Roads to Japan held at the enhanced level of \$25 per deadweight tonne, but grain activity from the U.S. Gulf to Europe was small at about \$13. According to E. A. Gibson,

shipbrokers, inquiry in the tanker market was at a premium. The general steadying of oil prices and the small cut in North Sea prices appears to have had no effect on demand.

Gibson said most Middle East and Indonesian oil moved last week was for Eastern destinations, mostly for Japanese charterers for whom a few vary large crue carriers (VLCCs) were fixed at a more or less unchanged level of Worldscale

Caribbean the ending of the 10-week U.S. tonner for discharge in Taiwan trading, 50,000-ton parcels were that the Soviet Union was paid. Worldscale 38 and trading, 50,000-ton parcels were buying additional grain spur 113,000-ton requirement at scale 824 with Worldscale 38 and trading, 50,000-ton parcels were buying additional grain spur 113,000-ton requirement at scale 824 with Worldscale 39.

World Economic Indicators

RETAIL PRICES (1975=100)

			••	Cha	hange over	
C S. est Germany ance ly lgium therlands	Apr. '81 216.8 165.0 128.0 180.7 247.2 143.9 142.6 143.3	Mar. '81 210.7 164.3 127.2 178.2 243.8 144.0 141.2 142.2	Feb. '81 207.6 163.2 126.4 176.5 240.4 143.1 139.9 141.4	Apr. '80 193.5 150.4 121.3 160.2 205.7 134.0 134.2 136.2	year % 12.0 9.7 5.5 12.8 20.2 7.4 6.3 5.2	

Source: Eurostats (excapt Japan)

finances on upturn, say top brokers

By Peter Riddell, Economics Correspondent

The Government's finances have begun to improve, two leading City stockbrokers argue in new circulars this morning. Brokers L. Messel argue that central Government borrowing so far in the current financial

year is in line with the official target once allowance has been made for the delay in tax receipts caused by the civil service dispute. Consequently, "the long-awaited underlying improvement in the Government's finances seems to have begun."

Similarly, brokers Phillips and Drew maintain that publicsector borrowing should decime from £13.3bm in 1980-81 to around £11bm in the current financial year. The main favourable influences are expected to be a decline in the growth of public debt financing costs and a fall in the sterling exchange

L. Messel suggest that attention will shift to the level of loan demand from the private sector where there has been moderation, but they warn against assuming that bank lending is under control. notably because of the banks' greater activity in personal sector lending.-

A good deal of the latest stockbrokers analysis focuses on sterling Phillips and Drew-suggest fentatively that sterling should recover to above \$2 by the end of this year but will fall further against the major. Continental currencies, leaving the trade-weighted index close to its current level by the end of the year.

Brokers Simon and Coates argue that there is no need for any Government action in the wake of the recent drop in

Brokers and Co highlight the underpinnings for sterling. The rate is likely to trade in the range £1.90 to \$2 in the next few months. The brokers expect sterling to be held at this level partly through selective Bank of England intervention rather than by any rise in the politically-sensitive minimum lend-

Stockbrokers Buckmaster and Moore argue that exchange rate changes are in response to inflation, not the cause of it. The firm has not revised its forecast of an inflation rate of about 15 per cent next year. The recent drop in the pound

need not presage a continued slide as monetary control can ensure that the decline, and factory trend.

from now on against the main Continental currencies but to rise against the dollar to about \$2.14 on average in 1982.

Sixth IRA man starts hunger strike today

ANOTHER IRA man is to join the Republican hunger strike at the Maze-prison in Belfast. the Provisional Sinn Fein said last night. Paddy Quinn, 29. from Beleeks, Co. Armagh, will begin refusing food today becoming the sixth prisoner on the fast.

Quinn was a close friend of Raymond McCreesh. 23, one of the four Republicans who have died on the hunger strike. They were captured together while preparing to ambush British soldiers in South Armagh in

McCreesh died on May 21 after 61 days without food. Ouinn is serving 14 years for attempted murder, possessingexplosives and belonging to the IRA. Before his arrest he worked as a draughtsman.

Banana issue referred to European Court

THE European Court is to be asked to rule on the validity under European law of the importation of Central American bananas.

A challenge to the restrictions, by Chris International Foods, a London fruit importer. has been referred to the European Court by the High

The company's application for a licence to allow unlimited with the \$10m it took to clear

importation of Central American bananas was contested by the ecology movement in the the Ministry of Agriculture. The UK Government limits Bollay to realise a dream and banana imports from Central buy his first computer, albeit America to protect West Indian an ancient surplus machine. exports to Britain.

Mr Justic: Goulding said 96 days, started learning to proper cent of bananas entering gram and play with computers Britain from Central America when he was 13. This summer, were imported by Fysses. Geest British parents with children and Jamaica. If restrictions aged between 10 and 18 will be were lifted small importers able to send them to Bollay's would be allowed to bring in as a Computer Camp, where they a television programme on the many as they wanted.

Government BA expected to report £120m loss

which ended in March when intermittent strikes by the conit presents its annual report in trollers have so far forced BA worldwide routes of the airline said Mr Watts in British Airearly August. The forecast loss compares with a pre-tax profit of £20m made by the airline in the previous financial year.

The state-owned airline is also expected to report a continued steady fall in the revenue yield from passengers in the first quarter of the current financial year. This fall is in spite of a modest increase in the volume of passenger traffic, especially to West Germany and Switzerland from Britain, carried by the airline this spring.

airline £20m in lost profits.

BA plans to cut back its capi-

Nevertheless, "there are some signs of a very modest upturn

BRITISH AIRWAYS is expected other airlines, has been severely 52,300 staff in the latest issue of but this was at the expense of

to cancel more than 1,200 increased by between 2 per cent ways News-services. This loss of revenue, and 3 per cent in the spring The airline and the loss of forward book- after months of declining traffic, the "full force of the pressure ings from travellers not pre- the airline said yesterday. The for lower fares and the results pared to risk losing a holiday revenue yield—the ratio of for the next couple of months or a business trip, has cost the income to passenger numbers may well set the tone for the and the distances they travelled rest of the year," he said. -had fallen by 5 per cent since

equivalent period last year: in the amount of business the them contributed to this falling revenue and therefore prefers industry can expect to see this revenue yield. Leisure and sterling to be strong against the year." Mr Roy Watts, the air-holiday travel were showing dollars of can buy more dollars British Airways, along with line's chief executive, told BA's signs of a recovery in demand, for UK pounds.

to report a loss of approximately hit by the industrial action by British Airways News, the staff low growth in demand from \$120m for the financial year air traffic controllers. The newspaper:

passengers, mainly business The volume of traffic on the travellers, who flew at full fares,

The airline was still feeling

BA has also been hit by the tal spending if the disruption April 1, compared with the recent fall in the value of continues.

equivalent period last year: sterling against the U.S. dollar. Low fares and the high pro- It spends more dollars on fuel portion of passengers who used and ew aircraft than it earns in

Electricity concessions are 'too small'

Cabinet to consider British Rail's future

February.

internal

whether the Cabinet committee of higher fares (increasing

recommends to a meeting of faster than the inflation rate), the full Cabinet this month and by higher efficiency and

BR's investment requests adaptation to the market.

should be accepted, regardless. The report on electrification of the poor record on efficiency also assumed labour costs would

The Think Tank examined in product but that corresponding

BY MARTIN DICKSON, ENERGY CORRESPONDENT

BY LYNTON MILAIN, TRANSPORT CORRESPONDENT

ABOUT 160 of the UK's largest limit to enable it to provide in the electricity price rises in-month industrial users of electricity additional flexibility in its dustry faces in 1981-82, which have received price concessions prices to large industrial users. average 15 per cent thental under a Government scheme industrial users of electricity under a Government scheme implemented in the past three

The concessions are welcomed by industry, but they are still widely regarded as a case of too litle, too late." Industrialists, particularly those in the steel, chemicals and paper sectors, are calling for further Government help.

The electricity concessions were first announced in the Budget last March. The Government said it would be relaxing the supply industry's borrowing

Staff, the Think Tank, has com-

pleted its analysis of British

Rail's plans for the future.

which will be considered by a

Cabinet committee this week

and by the full Cabinet this

The plans include BR's

request to the Government to

raise investment in the rail-

ways by more than 85 per cent

to £5.67bn by the end of the

decade, and its intention to cut

be considered this week by the Cabinet committee which is

undertaking the first strategic.

review of BR in this Govern-

ment's life.
At stake is the future of the

railways and possibly the future

of Sir Peter Parker as chairman

of the BR board. He is nego-

tiating for an increase of about

The Staff's full report is to

38.300 jobs by 1985.

month.

Details of the scheme were left vague.

The Electricity Council says about 160 companies have benefited. They represent about 25 per cent of industrial electricity consumption and include concerns in the steel, cement. chemicals engineering and paper nad board sectors.

The concessions remain small relative to industry's total energy bill. Companies getting additional flexibility

the final stage in the current

appraisal of BR's plans and

their place in the Government's

economic strategy. This stra-

tegy is itself to be reviewed by

Cabinet on Wednesday.

Cabinet

special meeting of the full

No decision on BR by the

Cabinet committee, under Mr Norman Fowler, Transport

Minister, is expected until

after this meeting of the full

Nevertheless, it is expected

that the Think Tank report will

have a crucial bearing on

Some can get further price cuts, averaging 5 per cent, by taking advantage of a second measure announced at Budget time. This is so-called "category C load management," under which industrialists get discounts for agreeing to reduce their power demand at short notice when national requirements are at their greatest. The Electricity Council says

just over 50 consumers have so far signed up for category but the final total will not known until the end of next

schemes are the main area

for investment called for by BR. Under the most ambitious

scheme, which seeks to more

than double the length of track

electrified, up to £775m would

be needed over the next 20

per cent but only if Inter-City,

freight and the parcels busi-

nesses increased traffic in spite

rate of return of 11

Industrialists claim their Continental rivals can still get elec-tricity substantially cheaper than in the UK and have dismissed the concessions as in-adequate. They point out that many industrial processes do not allow companies to reduce their load as specified under the Category C system. Earlier this month Mr

Geoffrey Chandler, the directorgeneral of the National Economic Development Council, said that in spite of the Budget measures the disparities with the Continent might have

fall in staff numbers.
British Rail has called for

additional investment, on top of

that needed for electrification,

of up to £720m over the next

However, the Cabinet is

increased investment requests

in relation to BR's business per-

recovery once the slump in

year, and BR has forecast that

No recovery is expected this:

demand has eased:

Price law repeal urged

anti-competitive practices. This Commission.

expected to face

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

TWO NEW investigations into alleged anti-competitive trading practices by single companies are expected to be announced discount retailers or pricing

The investigations will fol-low publication in the next few started last December, was con-

preliminary evidence. investigation to determine the But it appears to be increased public interest. However, com-

panies to investigate.

The first two probes under day celebrated his fifth annithe Competition Act were versary in the job. Mr Borrie,

started last August. The investi- a former Professor of Law at

gation into TI Raleigh Indus- Birmingham University, was tries is being considered by the recently re-appointed to a

policies.

The investigation into the

cerned with it allegedly refus-

ing to supply certain retailers

ducts, Sheffield Newspapers was

alleged to have attempted to

prevent newsagents distributing

The OFT has the power to

refer companies to the Monopo-lies Commission for another

panies can prevent such an

investigation if they give an

undertaking to the OFT to end the anti-competitive behaviour.

further five year term of office.

• The refusal of TI Raleigh

Industries to supply cut-price

retailers with some bicycle brands was clearly against the

public interest, the National

Consumer Council has said in evidence to the Monopolles

a rival free newspaper.

shortly by the Office of Fair

weeks of the reports on the two

outstanding OFT competition

investigations. These are into

the Sanderson wallcoverings company and the Sheffield

The OFT has not decided on

the two new companies to be

probed, since it is still in the

process of gathering sufficient

ingly confident about launching

investigations, in contrast to the

first few months of the 1980

Competition Act when it was

having difficulty finding com-

Monopolies and Mergers Com-

mission to determine the public-

interest, while the probe into

Petter Refrigeration may be referred to the Commission

Last year the OFT received

about 300 complaints of alleged

Newspapers group.

preliminary evidence.

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

BRITAIN'S retailers have facturers recommended prices called for legislation banning for beds, mattresses, domestic lying the joint BR/Transport without electrification, would The Think Tank review marks. Department report on main-line ensure higher labour costs did misleading price comparisons to However, output from BR staff last year fell by 3.3 per be scrapped. The law has been criticised for being unwieldly cent as the slump in demand and has been openly flouted by for rail services outstripped the

traders.

that any control of bargain offers should be carried out under the Trade Descriptions Act. The legislation banning misleading or meaningless price to consider BR's

comparisons was introduced in March, 1979, by the Labour Govformance and its chances of ernment. It is unlawful for traders to make price claims which may mislead or confuse consumers about the value of goods and

it will lose £100m by the end of the year, compared with the services. Claims such as " worth £10-our price conly £5" are banned.

legislation specifically forbids comparisons with manuelectrical and electronic goods, carpets, and furniture. Many retailers and other traders have ignored or circum-

vented the law. One loophole

has been to compare prices with The Retail Consortium has 'after sale prices." told the Office of Fair Trading Trading standards officers responsible for enforcing the legislation have been unable to

either cope with the widespread flouting of the legislation or with its complexity. The Government asked the OFT in March to carry out a six-month review of the legis-We do not fel that it would

be possible to introduce a revised Order which would achieve the Government's objectives in a way which is the Retail Consortium told the

Two more companies Cummins to recruit 1,000 over trading investigations two years

By Hazel Duffy, Industrial Correspondent

THE CUMMINS ENGINE group plans to recruit about 1,000 people at its UK plants in the next 18 months to two years as part of an expansion programme to restore its activities to pre-recession

The group employs just over 5,000 in Britain after laying off some 1,000 during the

recession. Cummins, which is U.S. owned, plans to assemble and test its new 10-litre truck engine at Shotts, near Glasgow, in 1983.

Group executives are also dis-cussing the possibility that the first of Cummins' new smaller diesel engine range, the product of cooperation between Cummins and J. I. Case in the U.S., will be

manufactured in Europe. The first four-cylinder engine in this range, designed for industrial and agricultural applications and medium-weight trucks, is due to go into production in the U.S. in mid-1983.

foint manufacturing company has been formed by Cummins and J. I. Case for this purpose. It is investing \$350m in plant and equipment at Rocky Mount, North Caro-

ome 50 per rent of the output, planned to be utilimately 150,000 engines a year, will go to J. I. Case. In Europe it will be used in David Brown tractors.

David Brown, like J. I. Gase, is part of the Tempeco group

of companies.
Commins diesel engine range
has been restricted to heavy duty trucks and large industrial engines. The launch of the 10-litre engine, and the new engine

with J. I. Case, will bring it firmly into the medium-sized range, where it will compete with a large number of longestablished manufacturers. These engines will be marketed worldwide. Europe, where the 10-litre is to be launched at the end of next year, will

be a prime target. Cummins UK plants are at Shotts where a £30m investment is under way; Daventry. where a new £13m investment programme has just been announced; Darlington, and Peterlee.

They are Cummins' only European plants, but if the new smaller range is made in Europe, a new site may be

casting expects sterling to fall to kill Lord Gardiner, a statesaid vesterday.

was chairing a conference at the university when a 31b device was put underneath a car the statement claimed he was using. It fell off and was later defused by the Army.

Police confirmed that a bomb was found in the area.
The IRA statement said: "We meant to kill Gardiner, the political architect of the criminalisation policy and the H-the Army."

blocks. The device fell off the The cor car and failed to explode."

ment claiming to be by the IRA catch a flight back to London The former Lord Chancellor discovered. It was found lying near the

and productivity.

many students and businessmen park their cars. The RUC in Belfast, which

was discovered in the area at 5.20 pm and later defused by

administration of justice.

The Henley Centre for Fore- University, Belfast, was meant arrived in Belfast on Friday night, had left the university to shortly before the bomb was

£15,000 to his annual salary of detail the assumptions under- gains in productivity, with or

junction of University Road and Elmwood Avenue, an area where

would not comment on the "TRA" claim, said: "A device The conference was

Bomb 'meant for Gardiner' Wales 'can be growth centre'

became chairman in 1976.

BY ROBIN REEVES, WELSH CORRESPONDENT

electrification, published in not raise output's unit cost.

move in line with gross domestic £76.9m loss last year, the first product but that corresponding loss since Sir Peter Parker

10 vears.

expected

centre of Britain, says Mr Nicholas Edwards, the Welsh

In an optimistic assessment of the country's future economic prospects, he told the Welsh Conservative conference at Llandrindod Wells at the week-end that Wales had come through the recession relatively

Deterioration in employment

WALES IS well placed to had been relatively low, and ever carried out in Wales, Mr become the industrial growth demand for new factory space Edwards said. from incoming industry had held up.

cation of advanced factories in the first five months of this year was up on last year, when the Welsh Development Agency let a near-record 131 advance factories totalling nearly 1m

Overall the Government was levels-had been less marked involved in the biggest prothan in Britain as a whole, gramme of infrastructure imreceivables and bankruptcies provement and factory building ring some already."

"All this encourages me to believe that if we retain our He disclosed that formal allo- new competitiveness and record of good indautrial relations Wales can be at the heart of Britain's industrial recovery."

Mr Edwards said that Labour's proposed withdrawal from the EEC would "totally devastate and destroy the hope of diversifying the Welsh economy by attracting inward investment Indeed the threat may be deter-

Aston Martin expands

BY JOHN GRIFFITHS

additional engineering centre. at Milton Keynes in a factory leased from the new town's development corporation.

The move is one of the first tangible changes at Aston Martin since its take-over at the start of the year by Pace Petroleum and the public CH Industrials group.

would move away from an over-

ASTON MARTIN has set up an engineering and coachbuilding expertise through other manufacturers. The Milton Keynes unit is

in operation and has done engineering work for Lancia (UK). The new centre will maintain close operating links with the main factory at Newport Pagnell Aston Martin hopes at least

half its revenue may come even-Soon after the take-over Mr tually from its engineering John Symonds, Aston's managing wholesaling." The company ing didector, said the company is also understood to be interested in expanding operariding dependence on building tions to include the building of its luxury-performance cars and luxury "customised" versions would endeavour also to sell its of other manufacturers' cars.

cou

offic

reas

Surge in active holidays likely this winter

is likely to grow by about 8 per cent in the coming season as more people opt for active holidays.

largest tour operator, which has announced an expansion of 36 gether have more than 30 per than one-third spent their holicent of the market - Thomson days in Austria in 1980, which has announced modest price returned to popularity because Laker is expanding its winter says many holidaym cuts in the new season's pro- of its low inflation and the programme by a quarter, offer- cancelling their trips.

THE WINTER SPORTS market gramme compared with last strong pound at the time.

However, Thomson has pre-Thomson, with an estimated dicted increasing interest in 21 per cent of this market, is other forms of active holidays, hoping to increase its share by The larger tour operators are This prediction was made by offering a vastly-increased pro-offering more holidays which Thomson Holidays. Britain's gramme of 45,000 package holi-have previously been catered days, of which 15.000 will be for by small specialist com-cheaper than last year. panies. For example, Horizon

per cent in its winter sports Last year, about 143,000 Holidays now offers package programme for 1981-82.

In line with other winter package holidays, although the Laker Holidays is following

sports operators such as Ingschools ski programmes and the lead of Thomson and Horihams and Swans (both of the
independent travellers more
than double this number. More
day packages at prices which are unchanged or cheaper than article in the Northern Ireland Laker is expanding its winter says many holidaymakers are

Tourist Board's " Tourist News."

10 per cent cheaper than comparable holidays last winter. The winter sun holiday areas will include Malaga, Tunisia. Tenerife, Majorca, and the the lead of Thomson and Hori- . Northern Ireland's tourist industry has been badly hit by the latest violence. A leading

Shipbuilders see profitability by 1985

BY ANDREW FISHER, SHIPPING CORRESPONDENT

BRITISH SHIPBUILDERS' new ing over 50,000 holidays compared with about 40,000 last out the hope of a return to orders worth more than profits in a few years with a £500,000. If the Government further trimming of yard decides to cut its naval prowinter. Laker claims that about 80 per cent of the holidays

The broad aim is to reduce British Shipbirilde capacity slightly to about affected seriously. registered tonnes. Profitability bound by law to produce its by 1984-85 is described as a plan. It has thus done so with

tangible goal. Current capacity this major defence question-is about 430,000 cgrt. this major defence question-mark banging over it in a year The whole report, generally regarded with scepticism by subject to the Government's year's. decisions on defence final spending, due next month.

decides to cut its naval pro-

The state-owned group the Government has set British Shipbuilders a loss limit of £25m, far smaller than last

gramme sharply, capacity at British Shipbuilders will be

The plan, much slimmer than previous ones, says a significant half are on naval work.

Naval orders placed with amount of capacity is still at corporate plan, sent to the British Shipbuilders total nearly risk. It stresses the need to cut Government last month, holds £2bn compared with merchant costs to boost efficiency and to costs to boost efficiency and to more than become more innovative.

In the past few days there the group in the form of a £61m rig order for Cammell Laird and one worth more than £20m for two bulk-carriers to be built by Austin and Pickersgill.

But the group said on Thurs day it planned to close Robb .Caledon Dundee, as soon as possible to stem monthly losses there of £250,000.

The group has a labour force of about £70,000. Of this, nearly

BASIC training camp will program British children for a bright future

TWELVE YEARS ago a precocious 16-year-old budding
entrepreneur did his first deal

The control is a f puter. The emphasis is on fun. It is fully booked this year even when a Union Oil drilling rig computer camp the cost will be Commodore, the U.S. comthough the cost of \$795 is high £98. They will use the com-The first computer camp was

suffered a "blow-out" off the Californian coast. He sold Union held last summer in California. Run along the lines of a tradi-Oil a computer program which tional American holiday camp. the children spent half of every would tell it where the oil would come ashore to spoil the beautiday learning to program com-puters and half the day playful Santa Barbara coastline. The \$500 Union paid him for the program was tiny compared ing tennis, swimming and horse riding. During the two week up a mess which was to spawn

but simple level computer U.S. But it enabled Denison The children often ended up writing computer programs for Mr Bollay, unusually in those their parents' investment portfolio. Some designed accounts systems for their father's business. Others wrote programs devising their own electronic games like Space Invaders. Midway through the summer.

ill be taught how to use a com- camp ensured it was sold out

by summer camp standards. Imitators are already springing

The decision to set up a com- time. puter camp in the UK was made from a holiday in Yugoslavia. years ago sold its main build- ing the camp. residential course they learn to It is to be run in confunction ings to the company which is. The PET is one of the program in BASIC, the useful with Camp Beamont, Britain's now ICL. Britain's deeply cheapest personal computers Windsor.

the chance to do anything from swimming and tennis to archery and karate...A coach picks the children up and returns them each day to a number of points around London. It costs £78 a week, including transport. For children attending the ming."

ing or afternoon, and join in

program and use computers the UK. very quickly and with great ease. Mr Bollay thinks it is smaller computer called the ary school in the country to have because they have no fear of VIC which can be connected to one.

puters either during the morn- share of the UK professional personal computer market, is other activities the rest of the lending the camp 25 PET comtime.

puters. The hope, presumably. At this week's "PET Show,"
The day camp is being run is that the children will have in London, where 100 companies puter camp in the UK was made

The day camp is being run is that the children was after attended are exhibiting products associated Britain on his way back mont College which nearly 20 like for Christmas after attended ciared with the Commodore control of the Commodore c

first summer day camp near troubled computer company, with all the basic functions of The old building is nearby and a large computer. A PET with The day camp, also imported is ICL's main training centre. a disc memory and printer from the U.S., provides chil- Children have an extra-would cost about £2,500. To dren between 5 and 15 with ordinary ability to learn how to date. 47,000 have been sold in

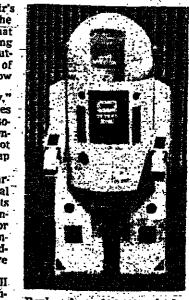
Commodore is launching a the computer. "They suck it in any ordinary television and will like a sponge—you have trouble cost £190. It hopes to sell dragging them off to go swim- 100,000 in the first year.

machine than Clive Sinclair's ZX81 which costs £70. (The ZX81 has been so successful that Sinclair has cut advertising because initial demand has outstripped production capacity of 10,000 a month, which is now being increased.)

puter. Bollay will display a robot which the children at the camp can learn to program. The personal computer market is booming at a phenomenal rate. One of the biggest markets

secondary schools to buy computers and wants every second-Early next year, the BBC will

begin a television series teaching people how to program a Denhy the robot emphasis This is a more sophisticated computer.



وكالمنافقة

is in education. The Govern-ment has allocted £4m for

mming

11/1/19

ruit

هكنا من للنجل

Volvo 244DL	£6656
Saab 900 GLS	£6852
Ford Granada 2:3L	£7235
BMW520	£8!50
Mercedes 200	£8700

Volvo	i8.7 years
Saab	³ 13.6 years
Ford	13:3 years
BMW	14.0 years
Mercedes :	16:0 years

YOUR MONEY GOESFURTI-ER IN AVOLVO.

If the figures above surprise you, we're not surprised.

Who would have thought the Volvo 244DL could cost less than the Ford Granada 2.3L?

Who would have thought Volvo (the marque) could have a higher average life expectancy than Mercedes?

But it's true. The prices are those published for all to see in the motoring magazines.

The life-expectancy figures are based on official Government statistics in Sweden:

(If you think they might be biased, you'll be reassured to know that a similar survey carried out in Belgium puts the Volvo at No. 1 too.)

Of course, Volvos have long been admired for their longevity. And like all our cars, the 244DL is a model of durability. As well it might be.

It undergoes a 19-stage rustproofing and painting process.

not only to the underbody, but to the sills and side panels too.

All vulnerable and inaccessible components get a generous layer of double-sided hot zinc plate.

The exposed parts of the exhaust system have a rust-resisting aluminium finish.

And the brake pipes are made of the same copper/nickel alloy to be found on the £21,826 Porsche 928.

In view of all this, it's really no wonder that the Volvo lasts so long

Nor is it any surprise that our car holds its value so well.

What is baffling, though, is how a car that's made to such exacting standards could possibly cost less than the Ford Granada 2.3L.



BY OUR LABOUR CORRESPONDENT

LONDON AMBULANCEMEN will stage a 24-hour stoppage today without the provision of emergency cover, as deep divisions grow among the country's 17.000 ambulancemen on how to proceed with industrial action.

The national officials of the tion and Arbitration Service on of emergency cover. Wednesday for exploratory talks on the breakdown of their negotiations with the National Health Service management.

However, there is as yet no intention to begin joint talks with the management side with a view to arbitration.

we will be telling Acas our soon afterwards. side of the matter, and that is

take place during the nation-wide action planned by the four four unions involved are likely unions, which should consist of in Gloucester and-it is underto go to the Advisory, Concilia- a strike but with the provision

However, London ambulance service workers will take no action on that day. Instead, their representatives will meet to review the situation and plan further action. regions — Wales. Other

Mr. Northern Ireland, Merseyside Charles Donnett, national officer and West Yorkshire—have indi- drastically that it will rebound, award last year.

of the General and Municipal cated that they will provide no on them." Workers Union, said yesterday emergency cover on Wednesday, However, Mr. Terry Petifer, that "our understanding is that or will stage an all-out strike a member of the London ambu-

Wednesday's meeting will selective strikes.

Other areas have voted to take painful action. no action at all. Ambulancemen stood-in Surrey have decided not to obey the official strike call and to take no further action.

Mr. Donnett said: "There is now a fissure growing between ambulancemen which will weaken their actions. I am worried that the service will alienate public opinion so value of their comparability

· lancemen's committee, said the The Scots ambulancemen are official action would inevitably likely to continue their all-out, lead to a lock-out by management and a much longer, more

> "We have told the unions that the unions that we are not in the business of provoking the Government. We are in the business of arguing for a better equipped. efficient more ambulance service."

> The ambulancemen have rejected a management offer of 6 15 per cent to maintain the

John Lloyd finds that morale is high and anti-Government feeling strong north of the border

Scots workers put the boot in harder

SCOTS STRIKERS (in the industrial, not the football, sense) In the two current national disputes, Scots ambulancemen have been the first to withdraw emergency cover and Scots civil servants the first to refuse to write out claimants' benefit

Union officials, and activists, recognise this fact and speculate on its origins. A more solidly Labourist culture than the rest of the UK? The comparative smallness of the Scots middle class? A tradition of militancy kept more actively alive? A more coldly logical view of what must be done to A higher toleration of public disapproval? A crueller streak? Crazier?

The preferred explanations invariable, among civil service activists, is the belief that the Scots' action in employment and social security offices last week are the out-of-town showcase for a national stoppage which they all see as inevitable.

This is no armchair militancy. Scots air traffic controllers and computer staff - the union's technological shock troops have been to the fore in all the actions called so far. The more recent stepping-up of the pressure by pulling out Employment Department and Health and Social Security staff met a ready response.

Holocaust

In the case of both the "old" and the "new" hands at disruptive action, morale appears high and anti-Government feeling

Take the big PAYE computer centre at Cumbernauld, to the north-east of Glasgow. Outside late 20th century planning.

FLIGHT'NO.

WT 805

WT 809

DEPARTS

LONDON

LONDON

LONDON

LONDON

ened in the new, but crumbling, service unions—the Civil and action, multi-level town centre, and Public Servants Association and Mr F further enhanced by the news that the strike committee has been forced to evacuate the Golden Eagle Hotel in the centre because it has become

structurally dangerous. The committee decamped to the town hall, where the officials were preparing for a mass meeting of the 535 strikers from the centre, now in their 13th week of action. Mr Ted Elsey, an of action. Mr 1eg Lisey an assistant secretary of the Inland Revenue Staffs Federation, which organises all the centre's staff, was confident the meeting would back all-out action.

He has been deeply involved in his members' action. He has een charged under the obscure Conspiracy and Protection of Property Act (1875), after fol-lowing a senior official of the centre home in the belief that he was taking PAYE cheques

for payment. At the packed meeting, where most of the staff were women in their 20s, the debate was open and practical. Several speakers worried about the effects on the community, specially its poorer members.

if they went all-out. But time and again others who stressed that the only option to such action was capitulation drew bursts of approval. Elsey, in a long and reasoned speech, stressed the traditional unofficial action. They under-

moderation of the union (to the annoyance of some of its contemporary militants) but came un with the same conclusionstrike or sink. The meeting approved their stand. voted to strike by 369 to 37. mood was euphoric and impatient. Let's get on with

survivors of a holocaust reduced Take the social security com-to tribal living in the midst of puter centre at Livingstone, at least, that the membership 1973.

More flights

from Heathrow

to Nigeria than

any other airline.

DAILY 22.00

DAILY 22.00

SUN 10.00

SAT 11.00

WED 21.30

the Society of Civil and Public the union's committee on the Servants—pulled out 58 data East of Scotland, said: "We have processors last Sunday. Without them the other 200-odd staff seriously come out on strike can do nothing.

A dozen of them stood outside the barbed-wire compound sur-rounding the centre, listening

to a car radio and playing make-shift cricket. The call for action, they said, was impatiently awaited and solidly answered. It was time to get the gloves off.

Oualms

They reckoned on an overwhelming vote for total strike. and they were confident of vic-Government could not survive without them.

Yes, they had qualms about their colleagues unofficial actions in benefit offices. One. Robert Seaton, a senior data processor and the natural spokesman of the group, pictured only half-humourously coachloads of claimants touring picket lines and forcibly expressing their sense of deprivation.

So far, he said, the Claimants Union and the other trade unions had backed them, but push had not yet come to shove. Yet they all agreed with the stood that those taking it had felt they were "scabbing" the computer operators by doing their work, and they

oted to strike by 369 to 37. Were they surprised by the Later, in the Kestrel bar, Government's refusal to budge? " Are " said Seaton " T was vor-(apparently in better shape "Ave." said Seaton "I was very than the Golden Eagle), the surprised, I voted Tory last With Tory voters on the

some 15 miles west of Edin- was running ahead of the

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The impression was strength burgh. The two main civil leadership in their desire for

Mr Eddie Really, organiser of before. They're now facing a clear decision—either they do the same as the manual unions have done and get serious, or they don't."

His opposite number on the West coast, Mr Terry Adams, echoed him. "The Government has dealt with this in an incompetent manner. The members are now determined to show the Government that we are not the people to be pushed around."

It appears straightforward enough from where the activists stand. Less so, clearly, to their leaders in London who must balance more diverse pressures and longer-term arguments.

It also appears quite obvious that if they are beaten, or told to give in, the sense of resentment and disappointment will be intense and the service will be in for a rocky ride in the vears ahead.

Pension report ready soon

THE Occupational Pensions Board's report on the preservation and transferability of occupational pension rights will be completed on schedule at the end of this month, despite staff shortages.

The Board, an independent statutory body, is staffed by the Department of Health and Social -Security. Its main work is to administer occupational pension schemes-which now have been the breeze block walls, pickets it was the feeling evident nicket lines and halls full of contracted out under the Social stood or lounged round a big everywhere we should have the breeze block fire, as if they were the done this weeks ago. Would voting for all out the preservation of pensions

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Papers for **Companies** House 'to go by hand' By Christine Moir

COMPANIES which need to register documents with Comparries House should deliver them by hand while the Civil Service dispute continues, the Department of Trade advised

This applies particularly to legal documents disclosing new mortgages and charges. Mortgages and charges are invalid in law unless registered with Companies House within 21 days. Delivery to Companies House counts as registration for this

Postal deliveries may not have reached Companies House because of the picket on incoming mail. Already 400 cases have been identified where mortgage and charge documents have not reached Companies House within the 21 days allowance and have had to be returned.

Companies whose docu-ments have been returned or who fear that their financial moves may have been invali-dated by the slow processing of the mails have two courses of action. They may either. • Execute fresh charges and deliver the documents by

• apply to the courts under the companies Acts for an extension to the 21-day provision. (The Registrar of Companies does not have the ower to seek such extensions

The selective strike at Companies House, both in Cardiff and London, has created three main areas of backlog.

Picketing has disrupted in coming mail to the extent that it is taking up to four weeks to handle. There is a 10-day pile of unopened mail bags. Withdrawal of labour by photocopying staff has led to a build-up of 300,000 in-dividual file cards.

Company searches have alsmost ceased. None is being undertaken in London and only 300 a day are occurring in Cardiff. In a normal day 11.000 searches are conducted in the two offices. As a result some 250,000 search requests

are outstanding. The one area relatively unaffected is the registration of new companies. Last year formed and the Registrar is dealing with about the same number at present. Staff involved in this department are still working normally. Department of Trade offi-

cials admitted vesterday that even if the strike stopped fomorrow it would take three months before Companies

Teachers to report on racialism

BRITAIN'S biggest teacher union has asked its 250,000 dence of racialist activities in their schools.

"Such activities are on the increase, including the distribu tion of reciplist propaganda in pupils by the National Front and harassment of pupils and members of staff by extremist racialist groups," says the National Union of Teachers which is re-issuing guidelines last sent to members in 1978 Mr. Alan Evans, head of the union's education department, said yesterday: "There is so uncorroborated evidence about the extent of the problem, that the union's first step is to attempt to make a fair assess ment."

Perkins workers hold secret ballot

A SECRET pay ballot of 6,000 production workers at the Perkins diesel engine plant at Peterborough has been fixed for

oday.
They must decide whether to eccept a shop stewards' recommendation to strike or to accept the management's latest pay offer, worth an extra £7 a week

Junior doctors

warn of sanctions LEADERS OF 26,000 junior hospital doctors have warned the Government that they will take industrial action unless ther are assured that future pay awards will be honoured in full.

The sanctions would not affect patients, but could cause administrative delays and delays inconvenience. The doctors' pay award this

vear was trimmed to 6 per cent though their independent review body recommended 9 per

Opponent of closed shop loses job

MRS WENDY CLIFFT, mother of three, has lost her job as a school dinner lady with Labour - controlled Walsali Council which operates a closed

shop.

She refused to join a union and said the policy was "blackmail.'

Two more Walsall dinner servers have until the end of the month to decide whether to join a union or Jose their jobs.

Lucas faces industrial action fight ICL

BY JOHN LLOYD, LABOUR CORRESPONDENT

defence and electronics group, faces a series of threatened ened discoptions is the dismissal strikes following the collapse of Mr Mike Cooley, a former of pay talks and the dismissal president of Tass, the white-of a prominent trade unionist collar section of the AUEW, a Talks-between management founder of the Lucas joint shop

12,000 workers in Lucas Aero- Prize nominee for his work on space—ended last Friday even- plans for alternative products. when the company said it would impose a 5 per cent wage increase for all staff. The union had claimed about 16 per cent and fringe benefits. Strike action would be taken

today by about 2,000 manual workers in Burnley and 1,500 manual workers in the Walsall plant, the joint negotiating committee said yesterday. further one-day strike is planned.

The bulk of the Lucas Aerospace labour force staged a one-day strike last month in support of the pay claim.

Other plants in the group are said to be preparing indus-trial action. At Shaftmoor Lane, Birmingham, more than 1,000 place if a meeting is not manual workers plan an all-out arranged for the near future.

INDUSTRIES, the strike from June 22. The second cause of threat and representatives of the stewards combine and a Nobel

> as a technical-training officer. The company had warned him he spent too much time on union activities.

meeting with the company. Lucas has offered a date,

Mr. Cooley was given three months' notice last week after he refused to accept a new job offer.

Tass members at Lucas Aerospace's Willesden plant, where Mr Cooley works as a senior designer, staged a one-day strike last Tuesday. The union's negotiating committee at the company has pledged its full sup-port and demanded an early

July 10, which the union said is too far ahead. Union officials believe further action will take

White-collar staff will iob losses

By Our Labour Staff

FEELING in white-collar unions at ICL, the computer group, is hardening against the company's proposals to cut 5,200 of the 30,000 work force and grant no pay increase this year. Representatives of the main

white collar union at ICI, the Association of Scientific, Technical and Managerial Staffs, met in Birmingham at the weekend and called for opposition to the cuts and the absence of a pay

A ballot of ASTMS members on the wages proposal showed an overwhelming vote against Mr Chris Luker, an ASTMS official, said yesterday that the job security agreement specified an ovetime ban as a recognised sanction against enforced redun-dancies. Such a ban by the 1.600 service engineers, who provide 24-hour cover, would have crippling effect, he said. Plans for industrial action will not be formulated until and unions at ICL meet in London on June 23.

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UK TRADE FAIRS AND EXHIBITIONS

	June 15-18	Exhibition (031-557 2478)
	June 16-18	International Process Measurement and Contro Equipment Exhibition (01-727 9083)
	June 16-19	Data Communications Equipment Exhibition— DataComm '81 (01-629 4304)
Ì	June 23-26	International Word Processing Exhibition and Conference (01-405 6233)
ı	June 27-July 1	International Mining Exhibition (01-637 8575)
ı	July 15-Aug. 1	Electronics Show (Saffron Walden 22612) The Royal Tournament (01-830 8009)
i	July 1-5	Autumn '81 Lightshow (Moelfre 88396) International Cycle Show (01-643 8040)
Į	July 19-23 Aug, 28-26	21st Harrogate Gift Fair (0382 867153)
	Sept. 3-5	Watch, Jewellery and Silver Trades Fair (01-848
ł		8040)

OVERSEAS TRADE FAIRS AND

) A TATMOTA	TO THUDE LUMB WIND
urrent	International Carpet, Wallpapers, Wall Covering and Furnishing Textiles Exhibition (01-438 3964) (until June 15)
une 17-20	Western Canada Farm Progress Show (01-930
nne 22-26	World's Wine and Spirit Week VINEXPO (01-439 3964)
uly 7-11	International Oil and Gas Exposition (01:637 8575)
nly 8-12	International Audio-Visual Equipment Exhibition (01-705 6707)
ug. 34-28	International Public Works and Municipal Services Exhibition—CIVICON (01-486 1951)
ug. 25-Sept. 2	International Exhibition of Agriculture, Machinery and Produce (01-486 1951)
ng. 28-Sept. 6	International Fair of Consumer Goods (01-874 6034)
ug 90 Cent ?	International Fair (01-734 0543)

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London Business School

Worthing

London, SW1.

Sept. 5-Sept. 8 ... nternational Exhibition of Sports Goods and Outdoor Activities (01-439-3964)

BUSINESS AND MANAGEMENT CONFERENCES June 15-17 Quantum Science Corporation: MAPTEK angual strategy conference The next generation of distributed processing and communications technologies (01-839 5347) Grosvenor House House 16 RTD: Disposal of hazardous waste (0428 53911) Mount Royal Hotel Grosvenor House Hotel, W1 CI: Working or investing in the United States— the law and practice of securing immigrant and non-immigrant visas (01-248 4444) ... Cannon Street, EC4

IPS: The negotiation and commercial management of plant and engineering contracts (0990 23711) Oyez IBC: Anti-Discrimination Law Developments and Future Trends (01-242 2481) Henley Centre: Framework Forecasts for the EEC Economies Business Prospects to 1983 (01-353

9961)
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June 30-July 1 . . with special emphasis on the problems maintenance expenditure (0233 22101) Business Perspectives: The Revitalisation of Britain's Industry and Economy (01-584 3132) MSS Computer and Business Consultancy: Appreciation of systems analysis and design (Worthing 34755)

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New Opportunity Press: The Secrets of the Milkround (01-444 7281)

Craanfield School of Management: Marketing of Financial Services (0234 751122)

The British Computer Society: British National Conference of Databases (01-632 0473)

Conference on Databases (01-637 0471)

Conference on Databases (01-637 0471)

Oyez-IBC: Management of Inshore/Offshore
Diving Operations (01-242 2481)

LCCI: Focus on Italy (01-248 4444)

Liaison Committee for the Cleaning Industry: The
Bubbles and the Politics (01-407 2304)

Institute of Credit Management: Minis, Micros and
Credit Management (0990 23711)

Brunel Institute: Developing Women (0895 55461) July 15

Brunel Institute: Developing Women (0895 56461)
University of Bradford: The causes and symptoms
of company failure (Bradford 42299) July 23-24 AMR International: Executive Project Management (01-262 2732)
Institute of Credit Management: Credit Clerks
Training Day (0990 23711)

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Financial Times Conferences

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Continuing its highly successful series of international civil aviation and aerospace conferences, the Financial Times is organising another major two-day conference which will assess the expansion of aviation in the Pacific Basin and the new opportunities in manufacturing and ancillary services this

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Fashioning a new style out of an inheritance

Rosemary Burr on the family influence at UDS

THE SURNAME on the door of the chairman's office at United Drapery Stores may be the same but the man sitting behind the desk is very difstreet retailers from his father, the ebullient Bernard Lyons. On the surface, father and

ht ICI

son have little in common axcept the desire to see UDS prosper. Bernard Lyons first started work in his father's Leed's tailoring shop and when Alexandre, the family business, was merged into Joe Collier's UDS in 1954 he went with it. Seventeen years later Bernard Lyons became chairman of UDS. Under his management the group diversified away from its traditional core of ladieswear and menswear shops into the mail order business, shoe shops, furniture retailing in West Germany and duty-free shops at London's Heathrow and Brazil's Rio de Janeiro airports.

During his decade as chairman, UDS spent around £70m on acquisitions, with a large proportion of these takeovers involving cash bids. Financing this diversification through bank borrowings led to a hefty debt. service charge for the group, which paid net interest of about £55m during the 1970s.

UDS's annual profits also grew steadily, rising from around £2m in 1954 to peak at nearly £26m in 1974/75. Then came the aftermath of the oil price rise, the collapse in consumer demand and high inflation. Its long-term earnings prospects began to look rather

Traditionally UDS garned the bulk of its profits from the manufacture and sale of men's ready-to-wear suits. By the mid-1970s the demand for these collapsed and UDS found itself excess manufacturing

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major money spinner, department stores, was absorbing large amounts of cash. These stores, ferent. Two years ago Stuart began a period of relatively draft."

Lyons, then 35 years old, took slow organic growth after the byer the mantle as chairman of failed takeover of Debendance. trading under the Allders name. over the mantle as chairman of failed takeover of Debenhams one of the UK's largest high in 1972. Faced with tough competition from the like of Marks & Spencer, some of the

gloss was taken off the stores' earnings capacity.

In an attempt to boost earnings Bernard Lyons adopted the two-fold policy of reorganising the group and going on a shop-ping spree for growth businesses of the future. Manufacturing capacity was cut back' sharply with the closure of several plants, while further funds were poured into enlarging the group's department stores, including the extension of its flagship, Allders in Croy-

III-tated

Two purchases which proved to be ill-fated were made. In 1970 Swears and Wells, the fur and leather chain was acquired for £4m and one year later Myers, a mail order company, joined the group with a £10.5m price tag. More successful was the diversification into duty-free shops in 1973 when UDS fought off Trusthouse Forte to win the right to sell duty-free goods at terminal three in London's Heathrow Airport.

Swears and Wells failed to earn its keep within the group because, says Bernard Lyons, the selling season was too short to earn an adequate return on capital. By 1978 the 71 outlets of the fur chain had been switched to other group stores, mainly Richard Shops ladieswear outlets and menswear shops. Myers, with perhaps 3 per cent of the cut-throat mail order market, proved too small to be a viable independent operation and last year was sold at a loss to the market leader,

Great Universal Stores.
Of the group he inherited.
Stuart Lyons says; "throughout the 1950s and 1960s, UDS was entrepreneurial. It

Over the same period its other because interest charges were too high for a number of years. being financed by short-term

all that. A Cambridge classics graduate who still finds time to study the Mandarin language, he joined UDS in 1968 and cut his managerial teeth at John Collier, one of the group's menswear chains.

Aided by Malcolm Samuels. former partner of auditors Viney Merrets, who joined UDS in January last year, he has carried out a complete review of the group. He says the aim is to concentrate on cash generating activities while trimming back borrowings.

Loss-making businesses such s Myers mail order have been sold, manufacturing capacity has been further trimmed, while shops such as Van Allan stores that are not earning their keep will also be turned into Richard Shops. Equally, emphasis is as John Collier.' being placed on stock levels and financing and debtors.

The fruits of this more conservative policy were apparent last month when UDS unveiled its. results for the year to January 31, 1981. For the first time in 11 years the group's cash balance exceeded its short and medium term borrowings.

The balance sheet has been strengthened with £16m net liquidity replacing an overdraft as a result of the sale—at a sizeable net book loss-of Myers. the loss-making mail order company, stock unloading, property sales and the decision to farm out the group's credit business to Citibank

But shareholders' funds fell by £25m to £326m and worse still pre-tax profits had slumped to £12m, half the previous level. This was despite the department stores, said to be the most profitable in the country, maintaining their earnings.

The group's main problem is its multiple stores divison. which includes Richard Shops, Van Allan, John Collier and two shoe chains, Timpsons and



e a major money spinner, the Allders department stores (Croydon branch on the left) showed organic growth after a failed takeover of Debenhams in 1972. Whiteleys (right) is somethting of a white elephant and remains a loss

UDS: THE PATTERN OF GROWTH

Interest

789

profits slump by 60 per cent on virtually unchanged turnover.

Lyons 'says: "I plan to tighten up the division's structure. Sites surplus to our trading needs will be disposed of. There will be four trading names: ladieswear will trade solely through Richard Shops with a number of Van Allan stores renamed or sold. Menswear, which used to trade under the names of John Collier and Alexandre, will now trade only

In addition, he says, "plans are under way to experiment on two or three sites in another retail area to provide a small element of diversification." UDS hopes this will make up for any future sluggishness in the growth in national demand for clothes and footwear.

The attempt to boost UDS's sales of women's wear by buywas making losses when it was bought and proved, in a difficult climate, to have intractable problems. Former Van Allan shops will be turned into Richard Shops or shoe shops.

Down market

Richard Shops, in turn, where sales have stugnated since 1978, will move down market and aim for volume growth. Lyons says: "We are aiming to bring down the average age of the Richard Shops customer and also to lower prices in an attempt to bring more traffic into the shops. Sales are now higher than last year but the average price of goods is

ing Van Allan in 1979 has met namely, stocking more casual this year profits will not be with little success. Van Allan men's clothes and introducing a sportswear range. UDS's home shopping divi-

sion, which turned in a £3m loss

Turnover

this year, will automatically benefit from the sale of the loss-making mail order company, Myers. Even so, earnings from the remaining companies. John Blundell in the UK and Lawsons and Household Supplies in Scotland, are under growing pressure. The combined profits from these companies, which sell goods direct to home buyers and need a vast fleet of vehicles to provide transport for their salesmen cum-debt collectors, fell from £4.2m to £2.5m this year.

While most retailers' earnings were depressed over the same expanded by acquisition at a Farmers. Last year the group's lower."

It is not claim, the process and average price of goods is period. UDS's pre-tax margins we have rather than doing wild fell more sharply than some of and exciting things. Most of the ment was probably considered heart of the business, moved less important Throughout the into loss, while the multiple approach appears to mirror its charges amounted to 25 per cent three years will be from developed approach appears to mirror its charges amounted to 25 per cent three years will be from developed approach appears to mirror its charges amounted to 25 per cent three years will be from developed approach appears to mirror its charges amounted to 25 per cent three years will be from developed appears to mirror its charges amounted to 25 per cent three years will be from developed appears to mirror its charges amounted to 25 per cent three years will be from developed appears to mirror its charges amounted to 25 per cent three years will be from developed appears to mirror its charges are price of goods is period. UDS's pre-tax margins we have rather than doing wild fell more sharply than some of its competitors as its interest the expansion of the next two or charges amounted to 25 per cent three years will be from developed appears to mirror its competitors.

affected by such lofty debt servicing charges but UDS will need to generate higher sales, particularly from its lacklustre men's and ladieswear shops if its long vaunted return to earnings growth is to materialise.

Pre-tax

Profits

20-

Also the group's white elephant, the Georgian depart ment store, Whiteleys, in London, remains in loss at the trading level and looks an obvious candidate for Lyons's new broom. An attempt eight years aco to redevelop the Oueensway site into a 750-bedroom hotel and office complex foundered after local opposition to demolition of the historic building.

Stuart Lyons sees his present good at running the businesses

A lack of reality in teaching managers

in the U.S. and Britain has implied. become badly out of touch with the real world of business. The gulf has arisen partly because of the Anglo-Saxon concept of management as a professional activity in itself—a notion which is not accepted in Continental Europe—and partly be-cause business school academics have conveniently ignored much recent research on how decisions are actually made within companies.

This swingeing criticism of Anglo-Saxon managers and business schools is contained in an article on "The decline of the management ethic," by Michael Fores, a British consultant, and Arndt Sorge, a Fellow at the International Institute of Management in Berlin.
Published in the spring issue

of the Journal of General Management* the article claims that the notion of management as a separate professional activity. regardless of the work being managed, developed in America because it helped unify people from many lands into a cohesive group, where the activity of being a "businessman"

socially praised.
"But to the Continental European mind, this type seems to be a job-hopping libertine." say Fores and Sorge. "Although loyal to the firm, he personally does not care whether he manages oil, dishwashers, oranges and lemons or mortgages," Sorge continues.

continental is more concerned with the particular type and "information of work in which he is involved, article continues. the article states, suggesting that this approach is far more conducive to good management at line level than is the U.S. and British business school view of management. The unreality of the Anglo-Saxon approach explains the relative weakness of line management in those countries compared, for sis of what might be called the example, with Germany, the Anglo-Saxon "management sickauthors argue.

The allegation that business schools have ignored the real meaning of recent research into managerial decision - making rests in particular on studies by Carlson in the 1950s, and Mintzberg and Glover in the 1970s. Carlson's work produced startling results, which were in

sharp conflict with the "man-agement ethic," the article recalls. The chief executives he surveyed not only led a fractured

working life with little time to

think, plan, or be by themselves;

also, none of them had a good

MANAGEMENT EDUCATION grasp of what his work actually

The management ethic, on the other hand, stresses that top management consists of a number of calm functions such as. planning, co-ordinating, wrganising and controlling. In short, Carlson found what he called "administrative pathology" with chief executives spending so much time on problems that they told themselves were "abnormal," that they had little time to do what the text books said they did.

In the early and mid-1970s, Mintzberg's studies went further, conflicting with the business schools' model of a formal overt, even "scientific" type of decision-making. Not only did he find that the whole decision-making process was much less rational than had been imagined, but he con-cluded that "the organisation-designed only one fully-developed, custom-made solution," rather than a series.

Shirked

In the late 1970s Glover concluded that studies which had purported to examine closely what managers "do" have shirked the central issues of what and why. Instead, say. Fores and Sorge, "they have followed the concerns of the various types of social scientists who make up the "management science" teaching for charity."

They have concentrated on such things as "relationships and "information flows," impossible to avoid the conclusion but a huge body of mainly normative literature has been built up on business and management behaviour which has been based on an idealised pattern of executive work rather than on its realities."

After their stimulating analyness," it comes as a sharp disappointment that Fores and Sorge offer no antidote, apart from hints that American and British business should adopt the German and Swedish pattern of giving leading executive positions in manufacturing industry to ex-specialists and engineers in particular.

*Available from Professor Keith MacMillan, Editor, the Journal of General Management The Management College, Greenlands, Henley-on-Thames, Oxon, price £5.75.

Christopher Lorenz

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Alan Cane reports a new study on the European market for on-line database services. It suggests the market will grow by an average of 63 per cent annually to 1985

Electronic libraries set for growth

for explosive growth, according tice change as national bounto a new survey. It predicts daries are crossed.

that while the market for these services is currently less than munications costs are high and it will grow at 63 per cent annually over the years to 1985.

by the European office of the is much U.S. consultancy in information technology, Input. It estimates the market for on-line database U.S.\$1.436m in 1980, while the European total was only 8.6 per cent of that figure at £123m.

By 1983, however, it predicts that the U.S. total will have risen to U.S.\$2,743m with the European total at U.S.\$478m. By 1985, the U.S. total will have risen to U.S.\$4.275m with the European total up considerably at U.S.\$1,399m.

Input believes the figures indicate the state of development of computer-based services in the U.S. and Europe, the U.S. being roughly five years ahead.

It also believes that the present size of the European market stems from difficulties which vendors and potential encounter vendors attempting to decide whether to invest in these services.

Online database services are simply electronic libraries. Information held on computer files is provided to subscribers for a fee. Subscribers usually need a printer terminal or visual display unit and printer to communicate with the computer over leased or ordinary public switched network telephone lines. Typical examples are the DataStream stock market information service or Prestel, the

PO viewdata service. The Input survey says that for potential vendors, returns on investments seem meagre and uncertain, because of the large outlays required to capture

relatively small markets.
It goes on: "These small markets stem from the nonhomogeneous nature of the European environment, Substantial sums must be added to any investment program to make most data base services saleable in more than one

A typical example of this problem would be on-line legal

SIEMENS

The West European market for information; fine for any one is the organisation which both

10 per cent of the U.S. value. networking choices bewildering: dustry changing shape as it does to extremely important to the approximate to the U.S. pattern. rapid growth of these services The survey was carried out in the U.S. This infrastructure is much weaker and less developed in Europe."

The report implies that attitudes towards paying for inservices in the U.S. at formation in Europe will have to change, pointing out that in the U.S., raw information is no longer enough; customers want to manipulate the data to answer questions of the "What if . . . ?" variety.

Services

The table shows that the simple access or inquiry market will grow in value from U.S.\$82.7m to U.S.\$797.4m between 1980 and 1985. The market for processing informa-tion retrieved from the database, however, will grow much more rapidly, from U.S.\$36.2m to U.S.\$479.2m. Services of this kind are already provided by, say, the Henley Centre for Forecasting in conjunction with the computer bureau, Comshare.

The table also reveals that database services will become promotional marketing tools. Only U.S.\$3.7m is currently spent to promote companies through database services; by 1985, Input predicts the amount will

be U.S.\$122.7m. services vendor. The first, or integrated vendor in the table. Public data networks.

Inquiry

244.7

797.4

Portion of revenue

Computing

160.8

479.2

on-line data base services is set country, but custom and prac- produces the database and offers it to the end-user.

The second kind is the remote computing services company-Comshare, SIA and so on which networking choices bewildering:
"The remote computing industry infrastructure was offer a wide variety of acquired or licensed data bases to endcollect data and the data bases. They may pay the vendors to put their information on the system because of the promotional benefits.

'In other instances, the vendors will pay the information provider a fee for the use of the information Input points out that only five

companies in Europe had revenues in 1980 exceeding US\$5m from online data base The five are all European-

based organisations—two of the five are located in Italy. They are DataStream, Telekurs, IRS-ESA, Prestel and Cerved. Together they account for 45 per cent of the European market. Input believes that European

Governments have hindered the development of the husiness by placing barriers against foreign organisations or openly competing-with private industry, Prestel being the case in point

The study points out that a confusing and restrictive com-munications environment is one of the key reasons for Europe's underdeveloped online base market. It says the prospective vendor

approaches, depending on the country involved: • Leased lines on the conventional switched circuit system.

EUROPEAN MARKET 1980-85 ON-LINE DATA BASE SERVICES

(US\$m)

market

122.6

478.3

1,399.2

Promotion

3.7

122.7

able to use four separate



British Telecom's Prestel was one of only five "electronic libraries" to make more than \$5m in 1980

Videotex system.

permits European-owned hosts to connect to their system. The position of videotex in the market is one of the fundamental differences between the U.S. and European markets. The report says that videotex will be important in the development the promotional aspects of the industry with approximately 50 per cent of videotex revenues

information providers to the videotex operators. Its most pessimistic forecast 01-439 4442.

Revenue retained by:

58.0

212.2

530.1

Integrated

54.3

628.7

Supermarket Information

Paid to:

65.6

for videotex revenues in 1985 is Euronet Diane-an inter- U.S.\$76.4, its most optimistic, U.S.\$428m and its guess at the national facility which only most likely value, U.S.\$1938m

It urges that European governments should clarify and be consistent in their telecom munications and support policies. Nevertheless, vendors saw language differences as the chief barrier to the development of the industry followed by transborder data flow regulations, data privacy, communications in 1985 derived from funds paid and cost.

The full report is available for £3,500

Terminals for the hotel trade

HOSKYNS GROUP, which is part of Martin Marietta Data Systems of the U.S. has just launched two point-of-sale terminals based on the 8085 microprocessor

With non-volatile memory. full communications facilities and the ability to connect items such as slip printers and storage diskettes, the terminals are priced between £2,500 and £3,000 with the usual dependence on numbers ordered.

The cashier terminal is designed for use on the front desk of a hotel and effectively undertakes foreign currency exchange transactions, controls cash, travellers' cheques and credit cards and provides analyses. Grand Metropolitan Hotels in London have ordered the terminals and the first is already live.

Connections can be made to the company's hotel system which deals with room bookings and allocations.

The other terminal is for restaurants and can provide, for example, individual order printouts on a kitchen printer if required. There are facilities for last minute posting of charges to a guest's bill before

Kodak's new copierduplicators

AIMED AT medium to high volume users are four newlydesigned copier-duplicators from

Rodak which will become available in the UK from October.

These plain-paper machines are in the Ektaprint series and have achieved a good reputation since their introduction in the U.S. where an "Office Product Analyst" assessment of readers' views put them in a better position than either IBM or Xerox. The 160P and 160PS have an automatic positioner which virtually takes the original from the operator's hand, positions it on the platen and removes the original after the

PS can in addition, sort, jog and separate up to 15 sets of Somewhat more sophisticated, the 165F and 165AF have an automatic re-circulating feeder that collates while it copies. Each original is copied in sequence and returned to the feeder. The process is repeated automatically at high speed until the desired number of

copies have been made. The

collated sets has been made. The 165AF can in addition jog, staple and stack completely finished sets without operator intervention: it is intended for long-run, large volume applica-

All the machines work at 4.200 copies an hour and can reproduce a wide variety of images from light pencil lines to dark solid areas—on both sides of the paper. Paper stocks of different weights can be accepted.

Fixed or variable zoom adjustment facilities are provided to accommodate the range of paper sizes. These electrographic imaging machines are all controlled by microprocessors to keep them working at full capacity. Kodak is in Hemel Hempstead on 0442 61122.

A U.S. view of software trends

SINCE the mid-50s it has been with these applications provides estimated that more than \$100bn the most effective solution for has been spent around the most individual companies that to develop. world computerising and auto- have complex operations shared mating business applications, among departments and divi-How will this experience help sions. those companies that have spent much of those dollars?

Will it help new companies that are beginning to use com-puters and have been told of the many benefits that are available to them through the use of computers and through software products or packages?

Like the fountain of youth that still eluder mankind, the computer user seeks to eliminate the need for programming. Throughout the world, selling organisations - hardware, software, and systems houses—are making excessive claims about how software packages, program generators and similar products will indeed eliminate

the user's programming task.

But, the "programming prob-lems" or the "need for programming" will not go away. Programming today is as basic to large-scale commercial users as their accounting department, assembly line, or their sales force.

For these companies, the question is not how to eliminate programming, but how to build, control, and maintain cost-effective computerised applications in the decade.

The key to their success will ultimately lie in how they harness the power of the computer to reduce the overall effort in the applications development

There will be no single direction that large-scale commercial users can take to ensure suc-Most of their decisions will be based on how they operated in the 70s; on the degree to how they computerised and how their corporation is organised and structured.

Regardless of these variables. three conditions are certain: 1—Applications packages will not fill the need for the majority of applications that will eventually be computerised within a corporation; -Systems software products

that improve productivity and reduce application costs in the 70s will prove to be even more valuable in the 80s, and 3—Existing applications will not be readily rewritten or replaced and, therefore, will have to be maintained for many years.

Given the above criteria in establishing the program en-vironment in the 80s, users can best ensure success by responding appropriately to the following facts and trends: Data Base - Management

Systems are a basic requirement for today's corporations in data shared by departments and divisions within an organisation. History has shown that, as companies grow, the complexity of operations grow as well. Whether for competitive reasons, or by chance, most competitive

large companies have developed their own methods of processing information.

This phenomenon is true even in businesses that are

highly regulated, such as banks and insurance companies. Therefore, most in-house com-

puterised applications have been —and will continue to be— built to meet unique company requirements and will not be satisfied by an application software product.

The use of data base management systems and software development tools associated

Data Dictionaries and Data Base Administrators are becoming important requirements for effectively controlling and auditing applications programs. Data dictionaries are essential tools for data base management systems, for distributed processing, and for management control over how data is used in the corporation.

While today they are used optionally by many organisa-tions, data dictionaries will become a mandatory requirement in every data processing application in the 80s, pust as source program maintenance sity in the 1970s.

High-Level Languages embedded in interactive development systems will assume a significant role in the 1980s: they will reduce the applications development effort by as much as 80-90 per cent and the maintenance effort by up to 95 per

High-level programming will reach much higher levels than was achieved in the 60s and 70s with such languages as COBOL

There are two reasons for these new productivity gains: is that interactive programming at a terminal permits the computer to prompt, show, and help the user in many new and innovative ways.

Immediate user feedback and examination of results using new high-level languages and reduce the programming effort.
Second, high-level statements that eliminate input/output statements that interact with a dictionary, and provide for structured logic and non-procedural statements (that definition of reports) can reduce significantly the overall effort required for applications

development, maintenance, and enhancement. Ou-Line Programming fills a basic corporate need and has has become an essential ingredient for cost-effective, timely programming efforts. If a company today does not an organisation's most valuable provide on-line programming assets.

tools to its staff, it will not investment in Applications strvive for long. Not only is it cost-effective and immediately geared toward integration with esponsive, on-line programming

also improves programmer morale and is necessary for attracting high-quality New on-line programming systems in the 80s must, however, provide complete audit

of all changes made to its programs and data. New Programming Tools can significantly reduce the cost of COBOL development and main-

tenance. It is estimated that users today have operational programs that originally cost collectively between \$50-\$100bn

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These programs must be enhanced and maintained Investing in new programming tools that recuce the cost o maintenance and facilitate the maintenance effort will also reduce the number of personnel (and therefore maintenance costs) that must be allocated

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to these existing programs. The ultimate net result is that company resources can be dedicated to more productive efforts leading to

Investment in High-Quality Technical Personnel will be a necessity in the 80s. The difference in the quality of a company's development and main-tenance staffs may ultimately be source program maintenance the difference between success systems became a basic neces- and failure within the organisation.

Computer specialists in a corporation should be viewed as an elite corps of high-technology building computerised application systems. And, a company must give these highly-skilled specialists more than just lip service. Investments in New Systems

Software Products is needed to keep abreast of new technology. The 80s will see many new applications development tools that will not only reduce the time to develop application programs, but will permit them to be developed at a much lower cost and with negligible

maintenance costs. Such applications develop ment tools, which are usually integrated with data dictionaries and data base management systems, are developed and executed interactively and nmands can significantly reduce the degree of expertise needed. (Again, the investment in these tools frees resources for more productive channels.)

Investment in a Data Base Administration Department is fast becoming a requirement for modern businesses. Most companies need more than a data base administrator; they need a complete department that controls the use and modification

of data within the corporation. In the 70s, the need for con-trol, security, and protection of computer programs became more recognised. Programs today are considered as one of

corporate requirements. There are specific applications packages that can meet the specific requirements. But, it is important for a company's longterm goals to investigate how these packages will fit in with overall corporate data processcontrol so that a data processing ing applications and to be fully organisation will be fully aware aware of all the requirements and limitations of the data that these products use.

MARTIN A. GOETZ is director of the Software Products Division of Applied Data Research Inc., of Princeton, New Jersey.





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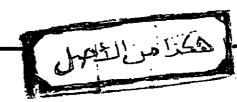
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Right to work -a guarantee

BY SAMUEL BRITTAN

perfectly correct, as is the view inflation rather than employment (except for a brief and uncertain period) and therefore do little good.

The real criticism is that the Government has done so little to help people price themselves into work. The tendency has (among those few ministers who think coherently about these matters) to dream of a perfect labour market. while doing nothing to reduce the imperfections.

Some useful suggestions are to be found in a paper by Pro-fessor Richard Layard, Unemployment in Britain: Causes and Cures. It is one of the best short summaries of why the minimum level of unemployment consistent with nonaccelerating inflation should have risen so much. No one with any knowledge of Professor Layard's political background thetic to the unemployed or emotionally hostile to the unions. He nevertheless believes that unemployment is larger for a given level of vacancies than it used to be because of a laxer administration of benefit, on which he has dramatic statistics. More important, the level of vacancies, sustainable without accelerating inflation, has been reduced because real wage targets are too high.

Some of his space is devoted to one of the fancy incomes. policies which go the rounds in academe. But he has also two very practical proposals.

One is that any worker un-employed for over six months should have the right to a job on a publicly supported project at a wage 10 per cent higher than his unemployment bene- ally enable everyone to be fit. By definition, the net costs to the Exchequer would be small. As wages would be below it can do more than it is doing going rates, there would be no to help people willing to work whipping up of inflationary at their market wages and help pressures in the labour market. Such schemes should not con-, value of their working skills. sist of chain gangs digging

V/Radio

6.40-7.55 am Open University 11.33 News Headlines.

BBC 1

† Indicates programme

(ultra high frequency only). 9.52

For Schools, Colleges, 11.25 You

and Me. 11.40-12.00 For Schools.

Colleges; Encounter Spain. 1.12

pm Regional News (except

London). 1.15 Midday News.

1.30 Heads and Tails. 2.01 For

Schools, Colleges. 3.15 Your Songs of Praise Choice with

Thora Hird. 3.53 Regional News

(except London) 3.55 Play

School. 4.20 Cheggers Plays Pop.

4.40 The All-New Popeye Show.

5.00 John Craven's Newsround.

5.05 Blue Peter. 5.35 Paddington.

THE BRITISH Government has if they were carefully designed been remarkably short of to supplement rather than imagination in facing the un- replace existing programmes, employment problem. The basic they would still be likely to be diagnosis of its economic opposed by public service strategists is that workers have unions who would complain that been priced out of jobs or have they were being undercutbeen prevented from pricing which would indeed be true. themselves into them. This is But at least the Government would have taken the initiative that the injection of more pur-chasing power would stimulate the onus would be on the labour monopolies to come out in their true colours.

Professor Layard's second idea (although he puts it first) is for a £70 subsidy per week for a year for employers for each net addition to the labour force The sum represents the average cost in tax revenue and benefits for an unemployed person. I am less keen here, partly because of the arbitrary nature of the workers and firms selected for subsidy by the rest of the community. But as a temporary measure for rebuilding the morale and skills of the longterm unemployed it has some advantages.

Productivity

The merit of both schemes is that they are for those who have been out of a job for more than six months. Indeed the author is could regard him as unsympa- highly critical of the employment services for concentrating so much on the short-term un employed who need their help least, but where they are able to show a high but spurious success rate.

> The merit of both schemes is that they provide a practical demonstration of how to price people into work. The danger is that they will be seen as costless work creation achieved through the spending of public money. They are worth contemplating only if they are presented as a transfer from the rest of us to the unemployed and not as a piece of clever juggling with numbers and pieces of paper thought out by an ingenious economist.

"Government " cannot magicemployed at a wage far exceeding his or her productivity but some others to augment the Discussion paper No. 87 trenches, but provide genuine Centre for Labour Economics, public works and services. Even London School of Economics.

5.55 Regional News Magazines

9.25 A Town Like Alice by Nevil Shute—4 part

Ask the Family.

and Nationwide.

7.15 Blake's Seven

11.35 Managing the Micro.

11.00 Play School

BBC 2

4.50 pm Open University. 6.55 Play Tennis.

7.55 Arthur Negus Enjoys -

9.00 The Paul Daniels Magic

9.40 The Making of Mankind

Saltram House, Plymouth.

7.20 Mid-Evening News.

7.30 Plants in Action.

8.10 The Two Ronnies.

6.40-7.55 am Open University.

8.10 Panorama.

6.20 Nationwide.

Exxon-'a single, invented, meaningless word'-fails after a lengthy process by the Standard Oil Company of New Jersey to replace its earlier trade mark Esso, is "a single, invented, meaningless word"

right protection. That proposition of law. expressed in terse, meaningful words by the Court of Appeal last Friday in Exxon Corporation and others v. Exxon Insurance Consultants International Limited,* puts paid to a bold attempt to provide traders with a further string to their bow in protecting their named products against their rivals.

such as not to qualify for copy-

The Copyright Act says that copyright subsists in "every original literary, dramatic or musical work." There is no copyright in ideas; copyright is concerned only with the copying

If the authors of the single word Exxon were entitled to have copyright in the name and could thereby obtain injunctions infringers, would gain a number of advanlages in establishing their rights

in their name and mark.

As it was, they were unable to obtain an injunction to restrain passing-off by the continued use of the word "Exxon" and also an order in effect removing the defendant's corporate name (including the word Exxon) from the register of companies. But such remedies did not satisfy the claims of Exxon's authors.

In one sense, copyright is less embracing in its protection

than the rights conferred by patent, trade-mark and design the answer to that might be right protection. The mere fact not ended with the Exxon case. law. Those rights give to the registered proprietor an excluwho has reproduced such material quite innocently and century oil company from the literary work. from an independent source.

The difficulty that the propo-If it can be shown that two precisely similar literary works nents of copyright in Exxon were in fact produced wholly experienced was that, although independently of each other, the word was invented (and tion out first would not be able neither meaning nor did it someone called his home to claim infringement of copy-

United States.

that the bishopric had long that a single word is invented authorised the Latinised version only after considerable research problem of copyright protection sive right to the registered of Exeter for the Bishop's title has been undertaken in arriv- comes from a recent judgment material—even against a person quite independently of the ing at a unique and acceptable of Mr Justice Whitford in C.B.S. ingenious authors in a 20th name does not qualify it as a lnc and enother v. Ames Nobody would suggest that

there would be infringement of Edward Lear's copyright (ignoring the fact that the author died in 1888 and copythe author who got his publica- therefore original) it had right no longer subsists) if

THE WEEK IN THE COURTS

to obtain copyright protection

BY JUSTINIAN

If copyright did subsist in a single, meaningless, invented suggest anything in itself. To give the word substance and word, it would have extremely meaning, it had to be accompanied by other words, or one could refer to the company used in a particular context. or any other goods bearing the

When used as part of a corporate name, it clearly took on some meaning; and when used parts of a book which are in conjunction with the merchandising of the company's products it would at least denote the origin and quality of the goods. While it remains, however, an invented word with no In the lower court, Mr Justice meaning, it is typically the Graham observed that there subject of trade mark registrawould be doubt whether the tion.

In short, a single, invented word would need to have quali-"Exon" as part of his name, ing its description as an original

"Chankly Bore," or if a manufacturer sold new toy products called "Jumblies," even if the Jumblies had green heads and blue hands.

The courts have not totally ruled out the possibility that a word used as a title could be the subject of copyright; some earlier cases indicated that it was impossible. But clearly the word would need to have some literary connotation before it could qualify. There is an American case in

1965 where copyright was claimed in the word "Supercalifragilistic expialidocious," the claim failed for technical reasons, but it was assumed that copyright was claimable. Thus

A more immediately practical

Records and Tapes Ltd.†

In that case, recordings in the form of discs and tapes were sold to a company which owned a chain of retail shops. The company decided to set up a record-lending library which members should pay £5 for ioining and £5 for the right to hire one long-playing record or £8 for the right to hire two long-playing record or double album."

There were other charges for borrowing for short periods of time, and there were certain discounts on purchasing goods of an appropriate amount.

At first there were no warning notices in the shop premises against infringement of copyright, nor were warnings affixed to the record sleeves or tape covers. They were affixed later at the request of the copyright-owners.

The copyright-owners took the view that the effect of the and that the company was thereby "authorising" infringement of copyright.

The judge held that, although † [1981] 2 WLR 973.

the lending of records and the selling of blank tapes enabled and assisted borrowers to tape

records, the knowledge that such copying by borrowers would be likely did not amount to "authorising" infringement. By hiring out records, the company did no more than authorise the borrower to play them. Even if the company was indifferent to the possibility of

records being taped, there was

nothing to infer that it amounted to authority to engage in pirating of copyright. Once the copyright owners had parted with possession of the records and tapes on sale to the shopowners, the latter were entitled to deal with the products as they might, short of reproducing the literary and artistic works on the sleeves or covers, or doing some other act that was an infringement. If the law were otherwise, number of lending libraries would be likely to find themselves in difficulties over the

lending of books. This decision shows that another avenue of access to records and tapes, for the purpose of home-taping, cannot be blocked by resort to the copy-right laws. If home-taping cas-not be prevented, the copyright owners are likely to seek for obtain substantial royalties on their products indirectly by making the cost of buying blank shopowner's scheme was act-making the cost of buying blank ively to encourage "home tapes considerably higher. Such taping" of sound recordings, are the unintended consequences of a defective law? Times Law Report, June 12

Hong Kong club's sponsorship

THE ROYAL Hong Kong Jockey Club, is to sponsor the Queen Mother's Cup at Sandown on Friday, July 3, as part of a £100,000 donation from the club to mark the Queen Mother's

Although many might be sur-

RACING

BY DOMINIC WIGAN

prised by the size of the donation the sum is only a fraction of the £11.2m the club will donate to charities in Hong Kong this year. It is a drop in the bucket compared to the £55m in taxes that its betting activities generated last year. Hard-pressed British charities,

the Horserace Totalisator Board

and the Chancellor of the Ex-

to the tiny British territory with In addition to owning and

right. Copyright work must be

the source from which the

infringing work was derived.

Copying a person's work is the

inconvenient consequences. No

name Exxon without having the

exempt from copyright pro-tection; that exemption is

restricted to literary, reporting and similar more specialised

Bishop of Exeter could, without

the copyright owner's permis-

It is not like the citation of

company's licence to do so.

crucial factor.

activities.

controlling those courses the club runs all betting, on and off course, and provides facilities for its members and the racing The community also benefits

indirectly from the passions of

Hong Kong punters as betting and lottery taxes raked in £55m last year. The extent to which the people of the territory relish a gamble can be gauged from the fact that the total betting turn-

over in the year ending June,

1980, was £580m Since 1916 when the club stepped in to assist the British war effort organisations and charities ranging from the Polo Club to the Research Project into Occupational Hand Injuries

starring Michael Bentine and Dors Bryan. 3.45 Money-Go-Round. 5.15 Father Dear Father. 6.00 ATV Today. 10.30 Left. Right and Centre. 11.10 ATV News. 11.15 The New Avengers. 12.15 am Something Different.

BORDER

1.20 pm Border News. 2.30 Monday Matinee: "Dog and Cat." 3.45 Money-Go-Round. 5.15 The Wild Wild World

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather, 2.00

However, neither they nor the Ma Wan Fishermen's Better Living Co-operative Society have been aided to the extent of the club's biggest beneficiary, the world's largest oceanarium. Ocean Park. So far, the Royal

spent £19m on the park. • Madam Gay, ridden by Lester Piggott and owned by Geoffrey Kaye, won the Prix De Diane De Revlon group one race at Chantilly yesterday. The winner's prize FFr 800,000 (£71,500).

Hong Kong Jockey Club has

NOTTINGHAM

2.30—Shaady 3.30—Hymnos**

4.00—Etonian* 4.30—Dragon Steed***

EDINBURGH 7.00—Four Marks

SCOTTISH

.20 pm News and Road and Weather 2:00 Monday Matines: "Inferno in Paradise." 3.45 Money-Go-Round, 5.16 Emmerdale Farm, 6.00 Scotland Today, 6.40 Crimedesk, 10.30 The Communi-cators—Jill Tweedie, 11.00 Rock Stage, 12.00 Lata Call.

SOUTHERN

1.20 pm Southern New 6.15 Try for Ten. 6.45 Mary Chip-perfield and Friends. 10.30 Tarifler: "Appointment with a Killer." 11.50 party. 2.25 Cricket: Kent v Sussex from Tunbridge Wells. 5.15 Happy Days. 6.00 Day by Day. 10.35 WKRP in Cincinnati. 11.05 Mind Over Matter. 11.35 Tenspeed and Brown Shoe.

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 2.00 Money-Go-What's On Where and Weather, 2.00
The Monday Matines: "Judd for the
Defense: Fall of a Skylerk." 3.45
Monsy-Go-Round. 5.15 Happy Days.
6,00 Channel Report. 6.20 Cartoontime. 6.30 The Beachcombers. 10.28
Channel Late News. 10.36 Target
Bowls. 11.65 Mind Over Matter. 11.35
Mark. And Weather in Exerch. and Lookaround. 2.00 Money-Go-Round. 2.30 Monday Motinee: "The Captain's Table," starring John Gregson and Peggy Cummins. 5.15 Mork and Mindy. 6.00 North East News. 6.02 Sale of the Century. 6.25 Northern Life with Tom Coyne. 9.00 The Swesney. 10.30 North East News. 10.32 Northern Report. 11.00 SWAT. 12.00 The Time of My Life.

ULSTER

1.20 pm Lunchtime News. 2.30 Monday Matines: "Future Cop." starring Ernest Borgnine. 3.45 Money-Go-Round. 4.13 Ulater News 5.15 Joc 99, 6.00 Good Evening Ulater, 6.30 Here's Boomer, 10.29 Ulater Weather, 10.30 Church Report, 11.00 Golfing Greats (Gone Sarazen), 11.30 Bedtime.

WESTWARD

WEST WAKU

12.27 pm Gus Honeybun's Birthdays.
1.20 Westward News Heedlings. 2.00
The Monday Matines: "Judd for the
Didence: Fall of a Skylark." 3.45
Money-Go-Round. 5.15 Happy Days.
6.00 Westward Diary. 10.32 Westward
Late News. 10.35 Targot Bowls. 11.05
Mind Over Matter. 11.35 Faith for
Life 11.40 West Country Weather and
Shipping Forecast.

1.20 pm Calandar News. 2.00 Money-Go-Round. 2.30 Monday Motinee: "The Love Boat." 5.15 Sha Na Na. 6.00 Calendar (Emicy Moor and Belmont editions). 10.30 Calendar Question. 17.00 Country and Western Special featuring Conway Twitty.

YORKSHIRE

GARRICK, S. CC. Box Off. tel. 836 4061. MIKE LEIGH'S SMASH HIT GOOSI PIMPLES. MON.-SAT. 8.00 pm. SAT MAT. 3.00 pm. Group sales 379 6061

GREENWICH THEATRE. S. CC. 858 7755 Evgs. 7.45. Mars. Sac. 2,30. Shaw's THE DOCTOR'S DILEMMA. MAYMARKET THEATRE ROYAL 930 9832 DEBYRAM KERA IAN CAR-MICHAEL IN OVERHEARD, A new blay by Peter Ustinov. Evgs. Mon.-3ai. 200 pr. Mats. Wed. at 2.30. Set. at 200 pr. Mats. Wed. at 2.30. Set. at

HER MAJESTY'S, 930 6505-7. CC 930
4025-5, From 27 June. Now booking
FRANK FINLAY In the National
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Directed by PETER HALL.

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LYRIC HALIMERSMITH. CC. 01-741 2311 Eves. 7.30. Sat. 4.30 & 8.15. HAVING A BALL! (Private Practices). by Alan Blessdeh. Dir.: Alan Dossor. with Julic Walters. LYRIC STUDIO: Eves 8.00 BRITANNICUS by Racine.

MERMAID TH., Puddle Dock, Biacktriars EC4. 01-236 5568. CC 01-236 5324. June 30 Aug 15. ZASTWARD NO! A New Musical based on the Jacobean tomeov. Dir., by Robert Chetwyn. Exp. 8. Thurs & Sat mats S. Reduced price press from June 30 to July 6. Bars & Restaurant. Car parking adjacent. Yitts. 52-66.

ENTERTAINMENT GUIDE

OPERA & BALLET COLISEUM, S. 836 3161, CC 240 5258 Until July 11, Evps. 7.30, Mat June 20 & 27 at 2.00 NUREYEV FESTIVAL

GLYNDEBOURNE Festival Opera with the London Philiparmonic Orchostra. Until August 11. Few titts still avail some August perfs only. Tomor. Thurs & Sat 5.55 il barbiere di Sivipila. Sun 4.55 A Midsommer Night's Dream. SOLD OUT. Tel for possible returns. BOX OFFICE

THEATRES

II. S. CC 01-836 7611. Evs. 7.30.
C 17-45. Mass. Thurs 1.00.
BRITTON, JILL MARTIN, PETER
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BRITTON, JOHN MARTIN, PETER
BRITTON, JOHN MARTIN, PETER
BRITTON, NOW BOOKING THROUGH TO Sat. A. BRITTON, JILL MARTH TONY BRITTON, JILL MARTH BAYLISS and ANNA NEAGH FAIR LADY. Now booking to October. For group bookings Q1-836 7358 or Q1-379 6061.

ALDWYCH, S 836 6404. CC 379 6233 (10-5. Sabs. 10-4). ROYAL SHAKESPEARE COMPANY Last peris, seath avail ton't & tomor 7.30 pm 7HE KNICHT OF THE BURN-ING PESTLE by Francis Beaumont. In rep wish NICHOLAS NICKLEBY. Booking now open for new London season from 1 July: TROHLIS & CRESSIDA, THE MERCHANT OF VENICE, AS YOU LIKE IT. Prestel 22023. Group Sales 379 6061. RSC also at The Warehouse/Fortune-Piccadilly.

AMBASSADORS. S. CC. 836 1171. Evs. 8.00. Tues, Mat. 3.00. Sat. 5.30 and 8.30. RECORD BREAKING RUN of J. B. PRIESTLEY'S Mystery Play DANGEROUS CORNER. Acclaimed rerival of Priestley's most popular play Seats prices from 83.00.

APOLLO. Shaffesbury Ave. CC. 437 2563. Eps. 8.0. Sats. 6.0 & 8.45. CLIVE JAMES. PAMELA STEPHENSON RUSSELL DAVIS CHARLES CHARMINGS CHALLENGES. An epic with 1.000 voves. CHICHESTER Festival Theatre, 0243 781312 Season sponsored by Martin & Rossi Ltd. TOM BAKER In FEASTING WITH PANTHERS. Ton't at 7.0.

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DUCHESS. CC 01-835 8243. Evenings 8.0. Mats Wed 3.00. Sats 5.30 and 8.30. FRANCIS MATHEWS. GEORGE SEWELL and UNDERSON IN THE BUSINESS OF MURDER. DUKE OF YORK'S. S 836 5122. Credit Cards 379 5565. 930 0731 (4 lines). (9.30-6.0. Sats. 9.30-4.30). Group bookings 836 3962. 370 6061. Evgs. 8.0. Sats. 3.0. and 8.30. Stalls and Circle from \$2.90. FRANCES DE LA TOUR. ACTRESS OF THE YEAR Sweet Awards 80. EST ACTRESS New Standard Drama Awards 80. BEST PERFORMANCE BY AN ACTRESS 1980 Drama Awards and Drama Drama Performance State Supporting Carlotter 1980 Awards on the Year 1980 in TOM Awards NESS DUET POR ONE, LAST SIX WEEKS.

PORTURE. Russell St. WC2. Box Office and Credit Cards 01-836 2238. ROYAL SHAKESPEARE. COMPANY Celebrates THE ROYAL WEDDING with a special 3 Month Sesson from 29th June of two Enterbrinments about Kinsship and Love. THE HOLLOW CROWN In Repertoire with PLEASURE AND REFENTANCE with Tony Church. Susan Fleetwood, Alan Howard. Barabars Leigh-Hunt. Richard Pasco. Michael Pennington. Norman Rodway, Janet Stzman, Hurry Book Now—Big Reductions If you book before June 29th. Prestel Info & sests, Key 22023. RSC also at Aldwych/Warghouse/Piccadilly.

THEATRES

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7.50. Mats. Wed. and Sat. 5.00. Gro bookings (01-579 6061). Better select of seats available Mon.-Thur.

PRINCE EDWARD. S. CC. Box Office 437 5877. CC Hotiline 439 8499. Grosp sales 379 5061 Ergs. B.OO. Mats. Thus. Economy Price and Sat. 3.00. EVITA by Tim Rice and Andrew Llove-Webber. Directed by Harold Prince.

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QUEEN'S. S. CC. 01-734 4166. 01-A39 5849. 01-439 4031. PENELOPE KEITH, Peter JEFFREY. Barebara FERRE In MOVING. A new play by Stanley Price. Directed by Robert Cacteryn. Evgs. 8.0. Mats. Wed. 3.00. Set. 5.00 and 8.15. Group sales 01-379 6061. LAST S WEEKS. RAYMOND REVUERAR, CC 01-734 1593, At 7.00 9-00 and 11.00 pm. Opers Sun. PAUL RAYMOND presents THE FESTIVAL OF EROTICA. New Acts. New Girls. New Trills, 23rd senantional year. Fully air-conditioned.

ROYAL COURT. S. CC. 730 1745. NO END OF SLAME by Howard Sarker. Ergs S. Met. Juee 27 at 4.15. Mon. Thurs. all seats £2. Fri. & Sat. all seats £3.

LAVOY. CC. 01-836 8888. For Credit Card bookings ring 930 0731 (4 Illies) (9.30-6,0. Sats. 9.30-5,13). Evgs. 8.00 Mats. Thura. 3.00. Sat. 6.00 and 8.45 SUSAN HAMPSHIRE GERALD HARPEI In FRANCES DURBRIDGE'S New Thrille HOUSE GUEST WITH PHILIP STONE. SMAFTESBURY. CC. Shaftesbury Ave.
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THEATRES .

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F.T. CROSSWORD PUZZLE No. 4,594

ACROSS

1 Organised Portuguese titles. enough for a factor in a Gallup poll (6, 7) 10 Turn North-east and trample to impress (7)

11 Doctor the French renegade

or burrower (4-3) 12 Come to a stretch of water 13 Material that is right for a tailor (8)

15 Suspend a slice of bread and wait (4, 6) 16 Vehicle for a doctor? Yes!

(4) 18 Pop group appearing in 14 Small number to delight, but Syrian cloth (4) 20 Second minute and it could

be either of them (4, 2, 4) 22 To remove water without smoothing may make hooligan thirsty (5-3) 24 Knocked back drink in store

26 Unfinished piece for piano of Matins (7) 27 One of Paul's letters (7) 28 Now under strain, grammati-

cally speaking (7, 5) DOWN 2 Refrain rendered by sailor with the names of winners next with a mark (7)

3 Draw from late source of warmth (44)4 Listless person making me

work inside (4)

Variable distance at which one shows no friendliness 6 Flier I left in vessel (5) 7 Former nobleman—that is

right (7) 8 Official document entitling one to look for strife and RADIO 2
5.00 am Rey Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 pm The Ed Stawart Show (S). 4.00 Stave Jones (S). 5.45 News and Sport (S). 6.00 David Symonds (S). 8.00 Folk on 2 (S). 5.00 Humphrey Lyttelton (S). 8.55 Sports Desk. 10.00 Town and Country Quiz. 10.39 Star Sound. 11.00 Brian Methew, 1.00 am Truckers Hour (S). 2.09-5.00 You and the Night and the Music (S). rage (6..7) 9 Story about Frenchman and

article in wear, but it's elementally unpleasant (6, 7) a sign that one must not go

17 Most distant approach to Brian house seen at Trent Bridge (3-5) 19 Bird or fish in indecent RADIO 3

cover (7) 21 Time's up and therein is the incentive (7) used in one of the sections 23 Two gases to employ in the home (5) 25 Handled non-woven material

(4)

Saturday.

The solution to last Saturday's prize puzzle will he published

RADIO 2

10.30 The Light of Experience. 10.45 Newsnight. 11.30-12.15 am International LONDON 9.30 am Schools Programmes.

and Design. 1.00 News, plus FT. Index. 1.20 Thames News. 1.30 The Diana Dors Show. 2.00 The The Diana Dors snow. France: Riordans. †2.30 Monday Matinee: Can Play starring "Only Two Can Play" starring Peter Sellers and Mai Zetterling. 4.15 Porky Pig and Daffy Duck.

12.00 We'll Tell You a Story. 12.10 pm Rainbow. 12.30 Home

4.20 Now For Nookie. 4.45 Spectrum. 5.15 Money-Go-Round. 5.45 News. 6.00 Thames News.

6.35 Crossroads. 7.90 The Krypton Factor. 7.30 Coronation Street.

8.00 Sorry, I'm a Stranger Here Myself. 8.30 World In Action. 9.00 Ouincy. 10.00 News.

10.30 The Sweeney. Sade Muhammad Franklin.

Radio Wavelengths

993kHz/433m 999kHz/330m 2 88-91vht steree

(S) Stareophonic broadcast
† Medium Wave
5.00 am As Radio 2. 7.00 Mike
Read. 9.00 Simon Bates. 11.00 Andy
Paebles. 12.30 pm Newsbeat. 12.45
Paul Burnett. 2.30 Dave Les Travis.
4.30 Peter Powell Including Newsbeat
at 5.30. 7.00 Stayin' Alive. 8,00
Richard Skinner. 10.00-72.00 John
Peef.

GRAMPIAN 1.20 pm North News. 2.00 Monday Matines: "Powderkeg." starring Rod Taylor. 3.45 Money-Go-Round. 5.15 11.30 Great Fights of the 70s:

John Conteh v Matthew

Sade

Mork and Mindy, 6.00 North Tonight.
6.39 Out of Town. 11.30 Rockstage.
12.30 am North Headlines. GRANADA

12.25 am Close: Sit Up and Listen with Sir John Boyd, Secretary of the All IBA Regions as London Special.

except at the following times:

ANGLIA

1.20 pm Angl:a News. 2.00 Money
Go-Round. 12.30 Monday Film Matines: "Sixty Glorous Years," sterring
Anna Neagle. 5.16 University Chalcinge. 6.00 About Anglia. 6.30 Welcome Back Kotter. 10.30 Anglia
Reporta—Tonigh's programme focuses on the University of Essex at Colchester. 11.00 Speedway. 11.30 The New Avengers. 12.30 am The Other
Day.

ATV

1.20 pm ATV News. 2.00 The Money. 1.20 pm Filabalam, 2.00-2.30 Hamdden. 4.45-5.16 Ser. 6.00 Y Dydd 6.25-7.00 Report Wales. 8.30-800 Yr Wythnes 10.30 World in Action. 11.00 The Breins. International Matchplay Darts Yournament. 11.30-12.00 Mannis.

1.20 pm Granada Reports. 2.00
Monoy-Go-Round. 12.30 Monday Matinee: "The Wrong Arm of the Law,"
starring Peter Sellers. 5.15 Joe 90
6.00 Granada Reports. 11.30 Survival

Capital Radio: 1548kHz, 194m & 95.8vh/ London · Broadcasting: 1151kHz, 261m & 97.3vhf

BBC Lunchtime Concert: Songs by Wolf (S). 2.05 Marinee Musicalo (S). 3.05 Planists in Profile: Emil Gilels (S). 4.05 New Records (S). 4.55 News. 5.00 Mainly for Pleasure with Peter Hurford (S). 7.00 Stravinsky Septet (S). 7.15 Crowded Hours: Sir David Orr. chairman of Unilever. 8.00 BBC SO in the Far East, part 1: Brahms Symphony No. 3. Chausson Posme—concert given in Shangha: an May 18 (S). 9.05 A Most Perfect Sule—Daniel Defo. 9.25 Concert, part 2: Eligar variations on an original theme (Enigma) (S). 10.00 Poetry Now. 10.30 Jazz In Britain (S). 11.00 News. 11.05-11.15 Anton Stadler (S). VHF only—5.56-5.55 are and 11.15-11.55 pm Open University.

RADIO 4

(S). 9.00 Humphrey Lyttelton (S).
9.55 Sports Desk. 10.00 Town and Country Quiz. 10.30 Star Sound. 11.00
Brian Metthew, 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3
6.55 am Weather 7.00 News. 7.05
6.55 am Weather 7.00 News. 7.05
News Headlines 7.45 Thought for the day. 8.00 Today's News. 8.30 News. Readmanniev, Stravinsky (S). 8.00
News. 8.05 Morning Concert (continued) Jancek, Smetna and Martinu. 8.00 Naws. 9.05 This Weak's Composer: Haydin mustic associated with his two visits to England (S). 10.00
Lennox Berkeley and Christopher Headington: Two quartets (S). 10.40
Mendelssohn and Mastalir (S). 11.5
BBC Walsh Symphony Orchestria: Girk James Clerk Maxend Bartok (S). 1.00 pm News. 1.05
Page 11.00 pm News. 1.05
Page 2.00 series Briefing. 8.10 Farming Wask. 6.25 Shipping Forecast (Long Timpson and Libby Purves. 8.45
Prayer for today. 7.00 Today's News. 8.45
News. 6.25 Shipping Forecast (Long Head. Libby Purves. 8.45
Prayer for today. 7.00 Today's News. 8.30
News Headlines. 8.35 The Week on 4
Archives. 9.00 Stert the Week with Richard Baker. 10.00 News. 10.02
More Box Louisa Botting (Long Wave only). 10.30 Daily Service (Long Wave only). 10.30 Daily Service (Long Wave only). 10.30 Daily Service (Long Wave only). 11.05 James Clerk Maxellones. 11.00 News (Long Wave only). 12.00 News. 12.02 pm You and Yours—Jeani Mills. 12.27 Lord and Bartok (S). 1.00 pm News. 1.05

presenter Bran Widlake. 1.40 The Archers. 1.55 Shipping Forocast (Long Wave only). 2.00 News (Long Wave only). 2.02 Women's Hour—Sue MacGregor. 3.00 News. 3.02 Attornoon Theatre—A Winter in the Hills. 4.35 A Breath of Fresh Air. 4.15 Story Time: "Mary Barton" by Mrs Gaskell. 5.00 PM with Joan Bakowell and Gordon Clough. 6.00 News and linancial roport. 6.30 The News Quiz. 7.00 News 7.02 The Archers. 7.20 Start the Week with Richard Baker (ropest). 8.00 The Mondey Play. 9.30 Kaloidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime—My Brother Tom (Long Wave only). 11.15 The Financial World Tonight (Long Wave only). 11.30 Today in Perlament (Long Wave only). 12.00 News and weather report (Long Wave only). BBC Radio London 5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbia Sus Morning Star. 10.03 ine Robbie Vincent Teléphone Programme. 12.30 pm London News Desk. 12.40 The Total Music Show. 2.30 Tony Blackburn. 5.00 News. 5.15 Music on the Move, 6.33 Ingide London, 7.03 Black Londoners. 8.00 An Radio 1, 10.00 Question Time from The House of Commons. 310.05 Opm John Radio 2, 10.00 pm John Radio 3, 10.00 pm John R

71.00-5.00 am Join Rudio 2. London Broadcasting 6.00 am AM—Bob Holness and Douglas Cameron. 10.00 Brian Hoyes. 12.00 LBC Reports Midnight. 1.00 am Life. 9.00 Mike Dickin's Nightline. 12.00 LBS Reports Midnight. 1.00 am Night Extra. 3.30 LBC Cinema. 4.00 After Eight Sunday (rapeat). 5.00 Morning Music. Capital Radio

7.00 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Mike Allon. 1.00 First Report, 1.10 Mike Allon. continued. 3.00 Bogar Scott. 6.30 London Tenight. 8.30 Alan Froeman (rock music). 10.30 John Sechs's ate Show. 12.00 Midnight Species.

Lisbon: Praca de Alegria 58-10, Lisbon 2, Teles: 12533, Tel: 362, 508.

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MEDITER. (:: :: :

The state of the s

Aldeburgh Festival

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The Prodigal Son

by MAX LOPPERT

I did not see the original Prodigal Son and so cannot con-trast the two Aldeburgh produc-tions; but I know the work from the original recording and sensed on Friday a comparative slackness of interest, both musical and dramatic, that proved disconcerting. Steuart Bedford, directing the small band of instruments from the organ, was as ever a committed and secure guide to Britten's musical working, but of the four principal players — Kenneth Bowen in the Pears role of Abbot/Tempter, Thomas Hemsley (Father), William Shimeli (Elder Son) and Bernard Dickerson in the title part only Mr Shimeli appeared to find something new, fresh and forecful in his phrases, to penetrate beyond the aura of unenlivening good taste that emanated from the performance

The 34th Aldeburgh Festival of the players? Certainly, it pened on Friday evening with seemed, after this experience opened on Friday evening with seemed, after this experience the third (1968) of the three of it, the least necessary of the Parables for Church Perform- church operas, the one in which ance. It was a new production the double-layered trappings of by Christopher Renshaw for Christian ritual and Orient-English Music Theatre, given influenced theatre technique English Music Theatre, given influenced theatre technique in the settings and costumes of most frequently interpose to the famous original one by hamper the involvement of the Colin Graham. (It was given "ordinary" audience member. Into the inconvenient mould of speaking, one tenet of the work's performing conditions some of his most intensely-felt was being flouted; yet in this and beautiful musical inspiration, some of his longest and accommodating musical environmost authentic melodies (the accommodating musical environ- most authentic melodies (the ment, is there any work that role of the Madwoman and the fails to discover its natural extravagant curves of her vocal extravagant curves of her vocal line are surely to be rated among the composer's most remarkable musico-dramatic discoveries); The Burning Fiery Furnace has glitter, pace and even humour to exchange for a second and less poetic investi-gation of the medium. From the third, on this occasion, one took away some

luminous interventions by the viola - it is the characterising instrument of the Younger Son. a simple, affecting sound at his moment of self-awareness and an unfamiliar sensation of energy and exhilaration in the passages of final celebration, as the young servants take up ringing, jingling, and chiming instruments to add to the excitement of the dance. The passages of temptation, "effective" as music-drama and undertaken here with appropriate priate economy, must be counted among Britten's few

patently unsuccessful stage inventions. There is a second Is this inherent in the work Festival performance, at Snape itself and not simply the fault next Friday.

Sherman, Cardiff

The Journey

by ANDREW CLEMENTS

The third new work to be sion, the opera only partially sponsored by Welsh National Opera this season had its first performance in the Sherman is too well finished. For all Theatre, Cardiff, fast Friday, their radical ambitions com-John Metcalf's The Journey, to poser and librettist could not a libretto by John Hope Mason, help but fashion a traditionally is essentially a chamber opera. It ealls for eight singers, a mime and a chamber orchestra of strings and single wind; the and with conventional concerns two acts last for a little over for theatrical niceties. The line

It is Metcalf's first opera. Composer and librettist worked closely on the shaping of the scenario, and the result is less a coherent plot than a series of incidents for four characters. The original title was to have been "seven scenes from a at poetry crowd upon one Book of Changes", but the idea another; most of all there is of inconsequentiality, of coming to individual maturity through random experience, is not new. At several points The Journey bears more than a passing resemblance to Tippett's Knot Garden: the actions of the four central characters are directed and observed by a magus-like Storyteller; each of the four in turn is given an opportunity to articulate his or her hang-ups, to resolve problems through encounter; and each of the four eventually finds

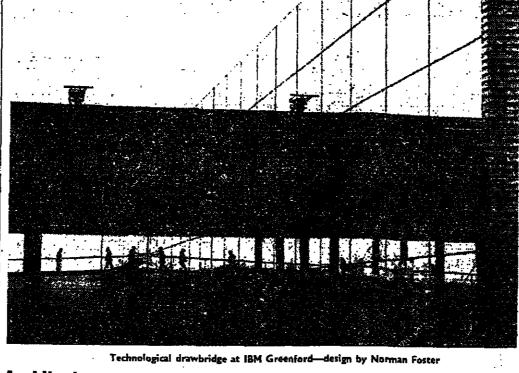
some kind of self-fulfilment. The result. I suspect, is rather less innovatory than Metcalf and Mason might have intended. The kind of dream-like unreality, of an open-ended allegory, that an opera constructed from a study of the I Ching implies, is suggested more than achieved. To present characters without context or background them upon a journey without purpose or location, to set up unpredictable meetings and finally to turn the opera inside out by confronting the Storyteller with his characters and having them reject the destines mapped out for them, should have been only the start. For all its sophisticated vague ness and opportunities for allu-

establishes on identity. It could also be that the work planned opera, of two carefully organised acts with traditionally placed climaxes and finales, and with conventional concerns between radical chic originality can be very thin, yet The Journey suffers more from the quality of its text than from anything else. Mason's writing is sometimes embarrassingly batetic; lines that sound like the worst of adolescent attempts

when set to music. Metcalf's music is essentially subordinated to the concept and suffers as a result. It is probably the most substantial part of the undertaking, at its best a delicate fusion of recent Tippett and Terry Riley, static and delicately coloured much of the time when the deathless text must be heard. Sometimes fully fleshed arias are crystalised out and in those Metcalf reveals a positive fondness for sustained lyrical lines, for constructing beautiful music for fine voices. In this central quartet the two women — Lesley Garrett (Nicola) and Menai Davies (Gwen) — were given more opportunity and depth to

what a line will sound like

express themselves than the men, Timothy German's Scott and Henry Newman's Craig. Julian Moyle coped as well as he could with the role of the Storyteller, but it is he who has to deliver some of the most pompous lines. John Eaton directed a suitably evanescent staging, Anthony Hose con-ducted. One day soon, surely. the Welsh National Opera will be rewarded for its untiring enterprise with a worthwhile new work.



Architecture

The right patron by colin AMERY

tecture we admire from the past owes as much to the farsightedness of the patron who commissioned it and collaborated with the architect as it does to the designer himself. It is difficult to imagine Nash designing the Royal Pavilion without the support and help of the Prince Regent. The colaboration is a very personal thing and it is the complicated nature of today's world that has led to the far too amorphous conditions of design by committee or in the world of property development design control by accountants or the managers of the pension fund.

Fortunately for the art of architecture there are still some clients who are able to break through the web of deadening official and financial controls and consistently com-mission good buildings. One of these is the large multinational company. International ciates. Business Machines better known as IBM.

It was during the 1050s that IBM under its president, Thomas J. Watson Jr., evolved a policy of "good design".
There may not be any truth
in the story that Thomas
Watson found himself stuck in architect Eliot Noyes outside spot-lit plinths -as things of

Barnum's the name and hum-

bug's the game. So announces

Michael Crawford before laying

claim to the title of sole re-

maining copper-bottomed musi-

Broadway triumph for Jim Dale

comes fully equipped with all

the right prerequisites: feeble

book by Mark Bramble, indif-

ferent lyrics by Michael Stewart and corny music by Cy

Coleman: Anything more would

have been disastrous. The

whole thing works a treat and succeeds in blowing clean through any critical bogusness

The Barnum technique is

clearly exposed in his ability to

transform the misfired exhibi-

tion of the oldest woman in the world, Joice Heth, into a box

office hit by labelling her, with

scant regard for historical accuracy, "Washington's

accuracy. "Washington's nanny." At this point the stage erupts in a company cakewalk

you could only resist by filling

your boots with lead and con-

templating the Middle East

am capable of mustering.

cal theatre star of today.

Palladium

IBM a similar design identity. This was certainly the moment when IBM began to employ famous architects and designer; and names like Charles Eeames became associated with their products. IBM UK has a particularly

good record when it comes to architecture. On London's South Bank a new marketing office is under construction designed to match the National Theatre by Sir Denys Lasdun. In Greenock Robert Metthew. Johnson Marshall and Partners worked with Matthews, Ryan on major manufacturing and office buildings. In Cheapside, in the City of London, the Design Re-search Unit has completed an impressive public face for the company in the form of a new retail shop.

I recently visited one of the star buildings that has been built for IBM by the architectural practice. Foster Assoln a television programme about the architect who heads the firm, Norman Foster, the Distribution Centre at the Technical Park in Greenford was shown with much sensitive camera work and reflecting light on the smooth glass facades.

Foster was not slow to com-New York traffic with the plain at the reluctance of much British inudstry to take any the Olivetti showroom. Oliv-etti's products were displayed definitely an argument in steel like pieces of sculptures on and glass for the employment Watson is supposed that design and industry have to have hired Noyes on the spot a lot to offer each other. Indeed as a design consultant to give they should be inseparable.

Barnum by MICHAEL COVENEY

Barnum could only get more

people through the turnstiles by beguiling the clientèle with

a view of an "Egress") is beautifully staged in "One Brick At A Time," with bricks

flying all over the place and

Mr Crawford applying the

cream with a tweak of subtle dexterity. Well into the show by now, the most spectacular

thing he has done is to spin a

Black and white—as we see in the second act imposition on

respectable Bridgeport of a riot

circus acts-has no real place

Hokum and colour are all that

count. When the Swedish Nightingale, Jenny Lind,

arrives in the delectable shape

of Sarah Payne, she not only lives up to her title with a fine

display of soprano coloratura,

but also threatens Barnum's

The first act closes with Mr

Crawford delivering a storming

number as he crosses the stage

Nightingale,

marital stability.

streamers, balloons and

the Barnum philosophy.

(where

American Museum

The brief to Foster from IBM was to utilise a 40-acre indus-trial site four miles from Heathrow as a "technical park"-a way of giving form to new patterns of work behaviour in highly technological industry. Work patterns are more demo-cratic in a Foster building, this is the combination of a good client and a good architect. Speed is of the essence too and the first phase of this large project was completed in a

record 32 weeks. Today the buildings you see at Greenford are two large ones: an Installation Support Centre and the UK Distribution Centre linked by a bridge over the site road. The outside of the building is made of only two materials: ribbed aluminium panels and huge panes of glass all neoprened to aluminium box

sections. What you have is really a large and elegant shed, but a shed with style. There is a great computer hall that is eight and a half metres high and more than 80 metres long. Visitors gaze down in silent homage to the computer gods from a gallery—it has the qualities of being in a cathedral. Colour has always been an

important factor in a Foster building, even if it is all silver like the Sainsbury Arts Centre at Norwich; here it is bright acid green with touches of blue. The buildings at Greenford offer of an architect who understands an important challenge to that design and industry have British industry—they are simple and effective and agree-

its one real surprise quality

narrative and theatrical res-

invasion of the auditorium by

disasters is just as suddenly

halted by the lure of the Big

Top. The Greatest Show on

Earth is saved for the finale,

Mr Crawford shooting down

from the auditorium's highest

point on a long rope to join the

jugglers, acrobats and sequinned

Also worth watching out for

are Jennie McGustie as a

delightful stomper and Tom

dancing along in the shadow of

Jumbo the Elephant with a pair

of beefeaters on enormous

The audience responded with

the most spontaneous standing

ovation I have seen in a London

theatre. Even allowing for First

Night hysteria, you sensed that

the home of variety, and Michael Crawford, deserved nothing less.

Thumb (Christopher

American totems.

table: his mother would not have liked it. Nor would he pay a million dollar bribe to the The construction of the on a tightrope to the singing Swede's private box. The book. magnificently lousy, now reveals ments were the custom and practice and quite legal in that traint. After the interval, the show bursts forth again with an tender he would use it to undercut them and win the contract a marching band. The sudden even though that would not be decline into Barnum's various

> series of "hypotheticals". posed to his wife. Sir Richard have seen to that, with the first dren.

by MAX LOPPERT

Youth and music in Hungary

Almost everyone in the musical world is agreed on one thing: musical competitions, with their

المكنا من المنهم

guide to some kind of excep-

discouragements, for those sen-

day of Interforum, organised and transmitted live by Hun-

garian television, was in the

The advantages of the scheme

an audience stringently critical

restored (with a fine museum

nature of a bonus.

the day.

juries, their ranked prizewinners, and their promises of instant fame for the chosen few. are a dangerous and often wastefully inaccurate method of dis- in the afternoon, and then in Thibaudet (20), in touch so covering and catapulting upon an international career the cal entertainment laid on by the world's finest young perfor-mers. Yet almost no one in the organisers. But there was also time for plunges in the lake, musical world can claim to have and sitting in the sun; and the listening sessions, never less than informative, were often discovered a really workable alternative; competitions proliferate, misleading results abound (misleading, that is, enthralling. Perhaps the most important difference between among the lower ranks of prize-Interforum and the usual comwinners: first choices are usually, if by no means always, petition circus is that it was possible to enjoy music, not just performance Past Interforum convertions tional ability), and setbacks and

brought to early international

sitive young artists unable to give their best in the klieg-lamp, ringside competition acclaim—among many others— a trio of brilliant Hungarian panists, Rocsis, Ranki, and Schiff: the Lindsay Quartet, from Britain; het French violinenvironment, are the order of piano duo of Pierre Amoyal and Pascal Roge: and the West German cellist Georg Faust. This year, it semed fair to pre-Almost no one, that is, except the Hungarians. Interforum, which earlier this month completed its fifth season of dict that the 19-year-old English clarinetist Michael Collins, fresh from his success at the existence, is a splendidly enlightened attempt, by one of the world's most innately musical nations, to find that alterna-1980 Leeds National Competition, would follow them on the tive. For five days some two dozen young instrumentalists upward path. Collins brought and singers, gathered from with him an astute pianist, Nigel across the world (this year there was a visitor from Cuba), Clayton: the closeness of the partnership was not the only point in his favour. Perhaps the assembled in a salon at Festetics bloom of youth on the clarinet tone was to be expected, a fresh-Castle, in Keszthely on Lake Balaton, each to present a 50-minute recital. Their audience ness that managed to make even the Bax sonata interesting: not, was composed entirely of critics. surely, the freely "recreative' agents, and concert, record and phrasing, that had one hanging broadcasting funtionaries from on the course of each phrase, 20 countries. The "prize" was the appearance itself; for 18 of and that brought to the Weber the performers, inclusion in a Grand Duo concertaint a newmint glitter gala concert held on the final

There were too many pianists. The less experienced ones found boomy acoustics of the salon an ordeal which they generously shared with the are strikingly obvious. The audience. But when a major atmosphere is relaxed. Before and already fully-fiedged artist; such as the Latvian Naum Grubert (b. 1953), sat yet uniquely receptive to new talent, any comparisons fos-tered become instructive not down to play, acoustical problems dissolved in a way that proharmony on all levels. The high finish of the true Moscow-castle, 18th-century Austro-schooled virtuoso, and a Hungarian rococo and carefully musicianly imagination of a wonderfully curious and questand a magnificent library), is ing kind—too quirky perhaps in both surpribeautiful; and Keszthely, on the Op. 110 (though the sheer heartening.

western curve of the largest sound was balm), but enthral-lake in central Europe, sounds ling in the Liszt 12th Hungarian a festive, holiday note of its Rhapsody. Fruitful comparisons; of the sort I mentioned earlier, For the Interforum visitor, it had to be made between was hard work: three hours of him and a no less remarklistening in the morning two able Frenchman, Jean-Yves the evening some notable musi- different, in style so acute and elegant, a colourist of already superfine, but never selfcon-scious, delicacy. His account of: Gaspard de la nuit was for me; perhaps, the high point of the

From string-rich Czechoslo-

vakia came Jindrich Pazdera (b. 1954), who infused into the Grieg Violin Sonata a rare: sweetness and purity of style; and, from the apparently in-exhaustible stock of excellent string quartets, the Prazhak, of alert attack and overflowing lyricism—their account, at the end of a grab-bag TV Gala' concert, of the Janacek Second Quartet finale was sufficient to blot out memory of the whole overstuffed evening. By appearance of the Russian viola player. Yury Bashmet, questions concerning selection criteria had to be raised. Bashmet (29) was the right age, just but he has already played in London and New York, and his composure on the platform made most of the other perfomers seem like schoolchildren Whether in Hindemith, or in a transcription of the Parane for a Dead Infanta, delivered, with an almost unimaginable com-pound of fire, classical control, huge and perfectly concentrated tone, and a great singer's command of inflection, Bashmet demanded recognition as the world's finest violist, at the very least the finest-I bave ever heard.

In general, the selection procedures for Interforum pershowed signs of dness. Of several formers haphazardness. musically abundant countries left unrepresented, the United. States was only the most notable; it is, it seems, a process of recommendation by reliable links and "spies" rather than crippling; everyone learns some-thing. And the setting promotes harmony on all levels. The two players who fell markedly below the general standard, the overall spread of talent was both surprising and enormously

TV—and corruption

by CHRIS DUNKLEY

Richard Stokes, for eight Dobson, former chairman of two in the new series anyway, years an executive director of British Leyland, would not yesterday's building very neatly the Burton Group, would not baulk at paying a £50 bribe for from the restaurant table to the slip a couple of quid to a a seat on an over-booked air million dollar bribe.

waiter to procure a special plane. And at least three top The second requirement is ruler of a foreign state to win a contract even if such paycountry. Yet if by chance he saw a competitor company's No doubt these men, like most playing straight with the system of secret tendering because, he says, "nobody does".

The first part of this intriguing code of ethics emerged vesterday in Business Decisions on ITV and the rest becomes clear in the second of the sixpart series next week. It may seem somewhat inconsistent yet Stokes stands out as a figure of almost Victorian rectitude among the dozen businessmen who sportingly agreed to bare their souls far this latest batch in Brian Lapping's instructive and often highly entertaining

David Pinsent, chairman of the Purbeck Group for five years, would go as high as a fiver to ensure getting the restaurant table where he pro-

industrialists - Sir Leslie Murphy, former chairman of the National Enterprise Board, Sir David Huddie, former chairman of Rolls-Royce Aero Engines, and Sir William Mather, former chairman of Mather and Platt — would hand over that £1m to a foreign ruler if the bribe would ensure the contract.

of us, would protest and prevaricate if stopped by a television reporter and asked about bribery in their business. The beauty of the hypothetical" system, developed originally at Harvard as a teaching aid in the law faculty, is that by distancing reality with "Let's just suppose" it allows the participants to tell the truth in a way that few if any would otherwise agree to. Yet there is: of course, more

to it than that. This is the fourth set of such series to come from Grandaa and it is now clear that there are two essential prerequisites for a good programme, the first being a shared between Margaretvery carefully prepared Marshall and Virginia Allenhypothesis. Producers Andrew Jensen, who are both active in McLoughlin and Norma Percy

that the moderator - the man who stands in the centre of the horseshoe, says Let's suppose", and conducts the whole affair - should possess the flair of a circus ringmaster and the mind of a chess champion trained by a Jesuit. Of all those we have seen so far Professor, Charles Nesson of Harvard who conducted yesterday's seems to me easily the best. Not only. does he combine the instincts of P. T. Barnum and Savonarola, he also ad libs faster. than Frankie Howerd. He is a hard act to follow: Geoffrey Robertson who takes his place next week is also very impressive; certainly the best we have yet seen from Britain.

1980 Eleanor Farjeon award

The Children's Book Circle has announced two winners of this year's Eleanor Farjeon Award (£500). It is being working with handicapped chil-

PROFILE by TREVOR BASLEY

The most influential man in sport

in the world of sport today.

THES

Well built and good looking, he reminded me of those ageless screen superstars able to walk off with the heroine at the end of the film. Articulate, intelligent and

supremely confident McCormack's most impressive feature is his enormous vitality which enables him to spend so much of his life on flying visits to his some small, profitable golf special events more difficult to 15 offices dotted around the

He still personally supervises a highly professional staff of stable, Palmer, Player and some 400 and an annual turnover which he estimates at around £100m.

How did he build his empire? Like so many successful ventures two years Palmer's annual init was a combination of being come jumped from \$60,000 to in the right place at the right time-in this case the U.S. at the start of the sport sponsor-

qualified lawyer, McCor- ski-ing and motor racing. was also an amateur mach

themselves handled their clubs. events and career guidance.

His legal training enabled endorsement contracts were not exhibitions.

In 1960, as a sideline. McCormach set up the perfect golfing of this calibre under his shrewd

With the expertise gained in the golf world it was logical boom-plus business for him to diversify and become acumen, ability, drive and involved in other individual world sports, including tennis, What - attracted sports per

prowess brought him into close Jackie Stewart was McCormack's contact with leading players. He ability to offer them a complete soon realised the large, and in- package which included mercreasing, earning capacity of chandising, investment, tax Open Golf, top-class professionals, providing their business affairs were publicity, contract negotiations, drive himself handled as expertly as they legal affairs, books, special

Later, he was to turn his athim to see that many of the tention to team sports, but these were not so rewarding because only one sided, but could be there was less money available far more lucrative if less individually, governing bodies localised, and he also organised tended to be stronger and arrange.

McCormack no longer deals exclusively with world-class athletes. Today, he and his Nicklaus, who was about to organisation look after a wide turn professional. A triumvirate range of media personalities including Michael Parkinson. direction could not fail, Within Angela Rippon and Peter Alliss. Colgate, Hertz and Wilkinson Sword with a project in which much power? It could be: sport is specifically designed to argued that some special events sell a product. He is also the can demean sport, while enrichlargest independent producer ing a few individuals, like the of sports programming for Golden Racquet match between

sponsorship-and films.

MY INTERVIEW with Mark golfer, good enough to qualify sonalities like Rod Laver, Chris series is the successful Super-McCormack, unquestionably for the U.S. Open. His golfing Evert-Lloyd, Bjorn Borg and stars. Intriguingly, in this the most influential individual prowess brought him into close Jackie Stewart was McCormack's country, he holds the exclusive film and television rights for Wimbledon and the British

Asked why he continued to drive himself quite so hard, his answer was that he loved the life and. I suspect, the challenge. He now plays more friendly tennis than golf in order to keep himself fit, but, as one of his employees remarked, the word friendly is something of a misnomer as everything he does is essentially

I left his London house with

one worry. Is it in the best interests of sport, as distinct from certain individual sportsmen that varying governing bodies should have allowed one He provides firms like man, however able and charming to have acquired quite so television-so vital in sports Borg and McEnroe, which was vigorously defended Among his several worldwide McCormack.

TENNIS BY JOHN BARRETT

Stage set for Borg-McEnroe clash

final of the Stella Artois tourna- The 100 degree temperature with Bjorn Borg at Wimbledon which begins in a week.

It is interesting to compare the different methods of preparation. Bjorn Borg choses two weeks of practice as the way to adapt from the slow. red clay of Paris to Wimbledon's fast turf. Since he is always involved in the latter stages in Paris that is entirely

McEnroe always comes from Paris with the frustration of having his natural attacking game thwarted by men who know how to use the slow sittface to their advantage. Thus, for him, there is the necessity of extra match play-he lost in the quarter-final of the French Open—to build confidence to a

fourth · This

ment at Queen's Club yester on court produced a lightning day the stage is set for a fast playing surface, beautifully renewal of his famous rivalry true and flat incidentally, and speeded the ball to such a degre that neither player could win a point against the service until the ninth game. I cannot ever remember seeing the first 33 points of a match won on service but the difficulty of timing was not the only prob-lem. Both men were delivering the ball with superb disguise, length and spin.

> Suddenly, the match came to life when McEnroe, having struggled to hold his fourth service game, played an inspired forehand pass cross-court against Gottfried's serve to bring set point. Gottfried saved it with a brave forehand volley, held serve and duly won his next to take the set into a tiebreak.

Leading six points to three successive on the merits of his best returns Queen's Club final, and the third of the match-Gottfried seemed win in a row, revealed all those at last to have solved the riddle exciting qualities of inventive of the McEnroe serve. It was

competitiveness by halting the Bjorg again this year. proceedings with a vehement outburst to umpire Georgina Clark about a vacant service linesman's chair. The officials were not changing as usual in the tie break so that instead of two service linesmen, one each side of the court, there was only

With a run of 13 successive points the brilliant McEnroe took the tiebreak eight points to six, broke Gottfried to love in the opening game of the second set and held serve without loss to lead 2-0.

It said much for the courage of the industrious sixth ranked American that he was able to get himself back into the match at all. He did this by again forcing McEnroe into error on lova, the left-hander who is the volley. However, it was the young left-hander who pounced Martina it will be a chance to: again in the 11th game by breaking serve again.

money alone. McEnroe added needed grass-court practice and flicks and rapid darts around then that the number one seed to his resources by claiming match practice.

WITH THE 7—6, 7—5 victory the court that make the 22-year revealed the quality of his the first prize of £8.510 by John McEnroe over fellow old American such an exciting match playing ability and his (\$20,000) but more importantly inventive _skills. He also he had demonstrated clearly-revealed the intensity of his the first prize of £8.510 match playing ability and his inventive _skills. He also he had demonstrated clearly-revealed the intensity of his what a threat he will be to Slimmed down by over

stone to 150 lbs, McEnroe is lighter on his feet and quicker than ever to the ball. It does not seem to have sapped his resources in the least but until he is tested over five long sets we shall probably not be able to confirm that. As the men move to Bristol

for the Lambert and Butler. tournament, the women go to Eastbourne for the BMW Championships. There, Tracy Austin will be back in action after a. long lay-off. I understand the sciatic nerve which troubled her in the Colgate Series Final in January is now cured. Seeded to meet her in this week's final is Martina Navratiawaiting U.S. citizenship. For restore her punctured confidence following the surprise Already a dollar-millionaire, loss to Betsy Nagelsen at in three years as a pro McEnroe Surbiton last week. For Miss... has amassed \$24m from prize Austin there will be muchThe ranks begin to close

By Quentin Peel in Johannesburg

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A real Irish problem

of the British General Election in February 1974. In both cases the electorate was asked—by a government going to the country before its time was up—to make a decisive choice, and in both cases the electorate declined to do so, in spite of the widely different electoral systems. .

In Ireland now, as in Britain then, neither of the major parties has an overall majority. In Britain it was the vote for the smaller parties that increased; in Ireland it was the vote for the independents, including the hunger-strikers-a development which hardly anyone foresaw.

Coalition

Mr Haughey's ruling Fianna Fail party won 78 seats in a Parliament of 166 members. Mr Fitzgerald's Fine Gael won 65 and the Labour Party, which has been in coalition with Fine Gael before, 15. There are also six independents and two inmates of the Maze prison in Belfast, one of whom has been on hunger strike for the last three weeks. Both Mr Haughey and Mr Fitzgerald have said that they will attempt to form a government.

There are other complications. Mr Cluskey, the Labour Party leader, lost his seat in central Dublin and the party will have to choose a successor before it can begin to talk about entering a coalition. independents are also divided among themselves.

background is grim. Ireland now has serious economic problems, at least in the short-term, the resolution of which demands a firm government. Inflation is around 20 per cent and unemployment more than 10 per cent. The government has been spending and borrowing too much for comfort. On the political level, the vote for the H-block candidates suggests that extreme republican sentiment still finds sympathy among a significant part of the electorate.

Given the results, there are only two ways in which a strong government could be formed. One would be for Fianna Fail

out of hand, for instance, by the defeated Labour leader, Mr.

The other would be to follow the German example of the late 1960s and to form a grand coaliperhaps including the Labour Party as well. Almost no one in Ireland regards that as remotely on the cards at presen and there would certainly be personality problems. Yet the coalition options should be considered. The policy differences between the parties in Ireland are much less than in many other countries and the political and economic tasks are pressing. If Ireland wishes its problems to be resolved, it will have to produce a government with whom others can deal.

in a few months' time is unattractive. There is no guarantee that it would produce a more decisive result, and the H-block prisoners and their supporters might then play an even larger part than they did in the election last week. The results have also demon

The Provisional IRA is at least as much a threat to Dublin as it is to the north. The successes of the H-block movement in the south and the victory of the late Bobby Sands in the recent byelection in Fermanagh and South Tyrone ought to be taken together. They are a warning that the Republic, Ulster and Britain must make another attempt at resolving the I

Propaganda

The Bill before Parliament designed to prevent an H-block prisoner standing in the next Fermanagh by-election is not the best possible British contri-bution. For one thing, the British Government is rushing through a general law to suit a particular case: always a bad practice. For another, it is presenting further propaganda to those who sympathise with the IRA.

Above all, it is no substitute for an Irish policy. If the events of the past few

weeks have shown anything, it and the Labour Party to take is that the Irish question must the unprecedented step of form- now be dealt with at the highest ing a coalition. Such a develop- level of government-and with ment is unlikely, but not un- a determination to succeed.

No soft option for steel

THE EUROPEAN Coal and Steel Community is in danger bills: others provide equity of tying itself into knots in the knowing that it will not bring effort to bring the steel industry an adequate return; yet others through the recession and the profer subsidised credit, which graver structural problems be-

Last year the Ten resorted to an industry-wide cartel — part voluntary, part imposed — in order to shore up a collapsing price structure. They also undertook to phase out subsidies by the end of 1985 and to restructure the industry, which means running it down to a workable shape and size.

the works at a meeting of the Ministerial Council on June 4. M Pierre Joxe, the French Minister of Industry, asked for more time for the social implications of restructuring to be considered. It remains to be next meeting on June 24, but the omens are bad. There is a danger that the cartel will continue while the rest of the programme is forgotten.

Problems

In fairness to M Joxe, it must he said that he is in the midst of an election campaign. Once it is out of the way, the Com-munity must no longer shirk the issue. The job will be hard: the problems of the industry are unusually intractable, especially at a time of high

unemployment.
Very often the big mills are situated in areas that would be disadvantaged even without a recession. Steel usually grew up where there is coal, so that the steelmaking regions have already been through the crisis that swept the coal mines in the 1960s. Diversifying their industrial base is difficult at the best again as the Commission proof times: heavy industry with its noise and smoke does not make a pleasant neighbour.

For the past decade steel has been undergoing a world-wide profitable steel industry, with upheaval. Steel mills have its capacity adjusted to market sprung up in many new realities. The only justification countries. Historic suppliers for the Commission's programme have been displaced from some is that it can achieve that objectraditional markets and attacked tive in a less disruptive way even in their own. It follows than a combination of market that waiting for the next upturn forces and ad hoc government is not enough. Failing a slim- intervention. But the industry ming down, the west European cannot have higher prices and industry will increasingly more orderly markets without become a pensioner.

believe that they can be entirely capacity alive, there is no secure eliminated. Some countries future for the steelmakers. Submanipulate freight rates, some sidies are the source of the subsidise coking coal, some give priblem, not the cure.

discounts on large electricity comes to much the same thing. Nobody is Simon Pure, not even the Germans who have been loudest in their condemnation of subsidy.

Though subsidies may have delayed the worst here or there, they-and the cartel regime-can only be palliatives The proof is in the results hich means running it down though the Japanese industry a workable shape and size. A spanner was thrown into average in efficiency, European prices are 15-20 per cent below the Japanese.

> The worst of it is that those who have put their house in order may be dragged down claim that they have stream-lined their industry (though it, too, is in the red). The British Steel Corporation has already cut out a great deal of capacity.

There must be a reward for those who have faced facts, and an end to inducements to others to evade them. The objective must be a European industry which can live without open or hidden cartels and without barriers to imports. Only by that means can it ensure for itself a reasonable return, and for its customers the security of

supply which they need. To get moving down the right road, the cartel must not be prolonged a second time except in direst emergency; but while it lasts it must be enforced as the European Commission proposes—if necessary by fines.

It must be complemented as soon as possible by an agreed programme to phase out open subsidies no later than 1985 poses. The hole and corner game of hidden subsidies must

be brought under control. Europe needs an efficient, capacity reductions. As long as To a large extent it already governments, especially in is. Subsidies take myriad Belgium and Italy, and perhaps forms. Only an optimist can now in France, keep unwanted

THE RESULT of the Irish thinkable. It was not dismissed General Election is reminiscent out of hand, for instance, by the Cluskey.

> HE ROAD that leads to Eldorado Park is called Golden Highway. the Nobody seems to remember why, although it must have something to do with the sold mines on which the wealth of

The option of another election

strated again one crucial fact.

The upsurge of militancy in the Coloured community, and the rise of black trade unions and industrial unrest, have been two of the most significant developments in South Africa in the past five years. In 1976, only Coloured children in the Cape took to the streets in sympathy with the children of Soweto. Attempts to involve black workers in the protest also petered

out fairly quickly. This year, in an attempt to forestall any major demonstrations on the anniversary, police have concentrated on arresting both Coloured students and trade unionists. That June 18, when police opened fire on a crowd of

Johannesburg, hundreds of Coloured school children left

their classrooms and clashed

with riot police in the streets. They threw stones and bricks at passing white drivers, and were

met by teargas, sneezing powder,

dogs, rubber sjamboks (heavy whips) and batons.

Coloured high schools were involved—and the best and

brightest children in the com-

munity. But it marked the first

clash between police and school-

children on the eve of the fifth

anniversary of the outbreak of

the bloody Soweto riots, on June 16, 1976.

The Coloured unrest has co-

incided with a resurgence of in-

dustrial unrest among black workers: in Port Elizabeth,

capital of the motor industry,

where some 3,000 workers

walked off their jobs at Ford,

General Motors, and Firestone

Tire, in a sympathy strike for

workers who had lost their jobs

at the tyre manufacturer; and in

their wage agreement.

described

although

The violence could hardly be

as widespread, most of the big

of Afrikaans language in their classes, remains a watershed in black protest against white minority rule in South Africa. At the end of almost a year of sporadic violence, more than 600 had lost their lives. Rioting had spread from the African town-ships of Johannesburg, through-Johannesburg, and South Africa, is built. But in the light of reality, both names are absurdly inappropriate. In Eldorado Park last week, out South Africa's industrial heartland of the Witwatersrand, to Cape Town, Port Elizabeth, as in several other Coloured the rural Orange Free State and townships in and around even to the Bantustans, the

tribal homelands. Whether or not this anniversary is marked by violence, it underlines once again the wellnigh total estrangement between the black and white communities in South Africa. Any sign of black protest is likely to be met by heavy-handed police supression. Workers who do stay at home may well forfeit their jobs, for at least unskilled labourers can be easily replaced from the vast pool of unem-

It is almost a perfect mirrorthe declaration of a republic in South Africa just two weeks ago. Then, white South Africa marked the climax of a month of festivities with a huge military display in Durban, sports gymnastic extravaganzas. and the glittering opening of a new state theatre in Pretoria,

Among blacks, those changes reflect growing radicalism

Cape Town, where Leyland South Africa, BL's wholly-owned subsidiary, sacked 1,900 Coloured workers at its two factories for to which no black guests were striking in a bid to renegotiate invited (although the theatre is supposed officially to be multiracial). The events were greeted by complete indifference in most of the black community, and an active boycott campaign among the more radical.

While white school children danced in the South African colours of white, blue and orange black students at the universities of Cape Town and the Witwatersrand, and in Soweto, ceremonially burned the South is to introduce a fine of R10,000 (£5,900) or five years in jail as hotels and restaurants.

a result.)

But all this has caused a

Soweto schoolchildren marching in protest at the enforced use

fresh sign of the progressive polarisation of the black and white communities in South Africa and of a series of changes which may have major implications for the future. five years, on both sides of the tion-although it has yet to win

Sporadic demonstrations — and labour unrest

anniversary of the Soweto riots. They are a

have already preceded tomorrow's fifth

racial divide, which are likely a seat in Parliament. to have major implications for the future.

In the black community, most of those changes reflect growing radicalism: the flight of banned nationalist movements, the African National Congress (ANC) and Pan-Africanist Congress (PAC); the growing militancy of the Coloured community; the rise of black trade unions, and labour unrest; and image of what happened to the growth of the Zulu cultural mark the 20th anniversary of movement. Inkatha, into a major disciplined political force, the largest legal black disciplined party which fiercely opposes "homeland" independence.

In the white community, the changes show increasing polarisation: on the one hand, a a debate about the stability and justification of the whole system of apartheid; and on the other, a conservative backlash against any concessions being granted the black community. Developments have included initiatives by private enterprise to improve living conditions in the black community, such as the Urban Foundation which is building new houses, schools and classrooms, teaching colleges and playgrounds.

The Government meanwhile has suddenly found money to increase its spending on black education quite drastically, although it still lags far behind white schooling in per capita spending. There have also been changes

on the rugby field in Durban, in legislation: the scrapping of racial job discrimination, legal recognition of black trade see people in terms of black unions, and the introduction of and white and Coloured. We special permits and dispensa-African flag. (The Government tions to allow more mixed multi-racial theatres, sport,

Nevertheless, if the racial white backlash, reflected in the depressingly familiar, there Herstigte Nasionale Party, one of the reasons has been the familiar response of the Ley-silenced. The ensurance been a number of which increased its support five-change in Government legisla-land management, which of the deaf may be important changes in the past fold in the April general election allowing black unions to argued that its workers had able consequences.

Moreover, even liberal voices,

such as the English-language press, are becoming more cautious in their espousal of black causes. thousands of young black editors have now been appointed students into exile, to join the at two of the most outspoken publications—the Rand Daily Mail, and the weekly Financial Mail. Inevitably, this growing polarisation of South African

society is easier to perceive than trends towards rapprochment. The radicalisation of the Coloured community is perhaps the most startling example. On the walls of the Eldorado Park senior secondary school, one of four high schools in the

township, the graffiti of last year's class boycott have yet to be removed. "Celebrate removed. Inferiority," one slogan reads.
"We have been too long ruled by whites. We will win. Unity lives. Power to the people. Be black, live black." There is a poignant reference to white Africa's denigrating vocabulary for other races: "No Coolies, Kaffirs, Bushmen: only blacks." But in the middle of it all, there are blatant slogans for the banned ANC, and the signs of hammer and sickle.

Although the black community remains deeply divided, largely leaderless, and alienated, there is no doubt the multi-racial stance of the ANC is attracting increasing support. "In 1972, we believed in Black Consciousness, and we thought "But the students today don't colour does not matter, pro-

vided you are progressive." The other key development has been the rise of the black being instantly sacked. polarisation in South Africa is rise of the extreme right-wing trade unions. Paradoxically,

become part of the statutory bargaining system. But even before they have been brought into the system, the growth of the so-called independent unions has been startling. In East London, one of the most radical organisations, the South African Allied Workers' Union (SAAWU), recruited 20,000 members in 12 months, and now claims three times that number.
Those slogans for the ANC
are signs of a trend throughout

open flaunting of support for the organisation regarded by the South African Government and its security police as the greatest threat to the system. In the early 1970s, the major black movement among young urban radicals was the Black Consciousness Movement, led by young graduates like Steve Biko. Its philosophy of black pride and a rejection of white involvement, like the Black Power movement in the U.S., was the major source of inspiration for the children of Soweto. But when Biko's death in police detention in 1977 led to a resurgence of unrest, and the mass banning of Black Consciousness organisations, forced virtually all organised support underground. There, its adherents found the banned movements of the 1960s, the ANC and PAC, organised.

The growth of independent unions has been startling

Black labour unrest — both wildcat strikes and union disputes-made 1980 the worst lost in industry. The events of we were radical," according to deliberately extended to hit to the ANC. a 26-year-old Coloured teacher. Ford and General Motors, On the off where workers refused to white community closes ranks, have been through the Black in the end the union won only ter, for a "total national Consciousness phase. Your a modest victory—the reinstate- strategy," even those moderate

strike without its members

broken their agreement by striking. The same action was taken by Wilson-Rowntree, the British-owned sweet manufac-turer in East London which was caught between a radical black union and a relatively conservative white and Coloured union. Whatever the rights and wrongs of the situation, both companies are now facing concerted efforts within the black community to boycott their products. Posters of people spitting out Rowntree sweets have sprung up in Soweto—the other side of the the country: an increasingly

country from East London.
Undoubtedly one reason for the rise in worker militancy has been the more liberal attitude of several leading companies such as Ford, and the industrial conglomerate Barlow Rand. But the majority of employers remain determined to face down unrest in the classic style of the mining houses—with the order: back to work, or back to the Bantustan.

The same dilemma faces the Government: whether to liberalise, in order to forestall black radicalism, or to control it with repression (or whether can find some magic formula to do both at once)

If the trend towards the ANC

and more radical black unions continues, a hard-line Government response seems inevitable: the ANC is anathema to the ruling National Party, whereas, perhaps because of its racial connotations, the Black Consciousness Movement was more acceptable. Moreover, the ANC is the organisation responsible for virtually all the successful incidents of sabotage and violence most recently the bombing of electricity sub-stations in Durban, railway lines in Durban and Johannesyear ever recorded for man days burg and attacks on policemen in the Ciskei, the next tribal recent weeks have shown homeland to go independent, further developments, compli- Most recent bannings and dehomeland to go independent. cating the whole scene for tentions have been of activists employers. The Firestone dis showing signs of moving from pute was a sympathy strike the Black Consciousness camp

On the other hand, if the handle Firestone products, by in line with the policy of Mr a radical black union Although P. W. Botha, the Prime Minisment of 21 men out of 160—it voices who have acted as con-won credibility for launching a duits between the black and white communities—such as the Rand Daily Mail newspaper-Sacking was the more may be neutered, if not familiar response of the Leysilenced. The ensuing dialogue land management, which of the deaf may have incalcul-

MEN AND MATTERS

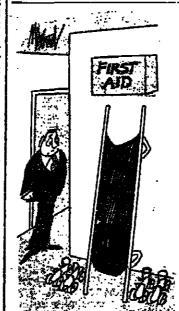
Settling down

in Basle

Just a fortnight after English football fans ran riot through Basle city centre, Bank of England officials assembling in the Swiss city yesterday, for the annual jamboree of the Bank for International Settlements, must have been nervously wondering whether their bootlaces were going to be removed by dilligent Cantonal police. In fact no such drastic measures took place — and in sweltering sunshine central bankers were thinking more of

taking off their shirts. A high spot of yesterday's proceedings was the lunch for eading central bankers at the BIS's opulent sports club on the city outskirts. The club boasts football, basketball and bridge facilities and also includes a swimming pool where sweat-stained central bankers have been known in

the past to take dips. Meanwhile the centre of gravity of the BIS deliberations has undergone a sharp geographical change. Karl Otto Poehl, the president of the Bundesbank, German



the traditional Germanic lodg-ings at the Hotel Euler towards the more placid riverside setting of the Hotel Drei Koenige

(Three Kings).

For years the Euler—conveniently just a gold coin's throw from the BIS headquarters-has been the monthly watering hole of the central European bloc of bankers attending BIS meetings.
But Poehl has apparently

decided that the tourist splendour and Rhine views of the Drei Koenige offer better value for money— especially now that the foreign purchasing power of the Deutschemark is no longer what it was.

Indices unlinked

The first authoritative indices for the Unlisted Securities Market were announced at the weekend. Denis Poll, executive managing director of Tring Hall, which sponsors new issues on the USM, instructed brokers Charles Stanley to calculate the Tring Index on an unweighted basis, and concluded that the USM has consistently outperformed the FT Ordinary

share index since November. Tring Hall co-founder, John Woolgar, who has just raised £3m to launch Hill Woolgar, is producing three USM indices-Industrial. Energy and All Share—assessed, however, on a weighted basis. His verdict? Over the same period, the FT Ordinary and USM Industrial indices have produced "an almost identical performance."

Deserted fox

President Anwar Sadat of Egypt is known to take very personally any opposition to his policies. especially where the peace treaty with Israel is concerned. Even so, it was regarded as verging on the petty, that he failed to attend in Cairo on Saturday the funeral of Dr Mahmoud Fauzi, known affect Standen, the former vice-chairtionately as "the Dean of

who died at the age of 80, will be called the Arab diplomat of the century. Of late in retire- increasingly crowded firmament ment, he has been known to is yet more evidence of the opposed to Camp David, and this meant that although he got the full trappings of a state

diplomacy, having served suc-cessively Kings Fuad and Farouk and after, Nasser and Sadat, with equal distinction.

Men like Sir Anthony Nutting, the Minister of State at Treasure's the Foreign Office who negotiated the withdrawal of British troops from the Suez Canal area, remember him as the ultimate co-negotiator, never disturbed and never at a loss

for words—not least because he used very few. He was known as al-Tha'alab the fox—for his wiliness. For six years from 1929, and again from the end of 1952—the year of Nasser's revolution-he was almost constantly in charge of foreign affairs, either as minister or Vice-President.

And Sadat owes him a special favour. For as a man respected above political factions, he was the President's Prime Minister during the difficult period of his succession to Nasser

Treasure's hunt Admen, it is well known, do

things differently. Nevertheless are too expensive. it surprised me when Dr John Treasure, marketing professor at the City University Business Grave matter School, and a former chairman of J. Walter Thompson, proudly boasted that his new agency intends to have lots of chiefs and very few indians."

opens for business this morning in St. James's Rose and Crown Yard with little more than two secretaries and a 30-foot-long desk around which will sit the chiefs-Treasure, John man of Foote, Cone and Belding, and Donough O'Brien who sold

One could wager that Fauzi, his stake in Wells O'Brien last December.

This latest star in advertising's have been at least partly remarkable buoyancy in a business which should be reeling from the big-bang of recession Even Treasure, after three years funeral, the President was not lecturing on marketing, finds himself at a loss to explain it.

By any standards, Fauzi was "I am really as amazed as the epitome of international anyone," he confessed. "It is a great mystery. I thought people would cut back on their budgets, but it just doesn't seem to have happened."

Most amazing to me was approach to promoting his agency. No, he insisted, it ferent from anybody else, apart from offering contacts and per sonal service that the majors have less time to provide. "Ultimately." he said, "advertising is all about people's belief

Treasure anticipates that this belief will shortly be mani-fested in a £1m billing, and hopes for a further £2m within a year. A couple more chiefs— a creative planner and a financial director—are also to be brought in ("countless agencies have gone bankrupt through tack of financial expertise"), but otherwise the partnership intends to stay small.

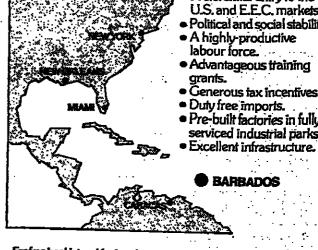
Copywriters and graphic designers, for example, will only be hired on contract. Indians, Treasure, explained.

The Law Society seems to be concerning itself in matters better left to theologians. Introducing its memorandum on the flaws in the Finance Bill, it John Treasure and Partners states (in respect of capital transfer tax on agricultural land) after May 10 1981: "...a testator who died before Budget day may be paying by instalments but they will carry interest."

Observer

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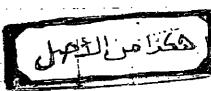
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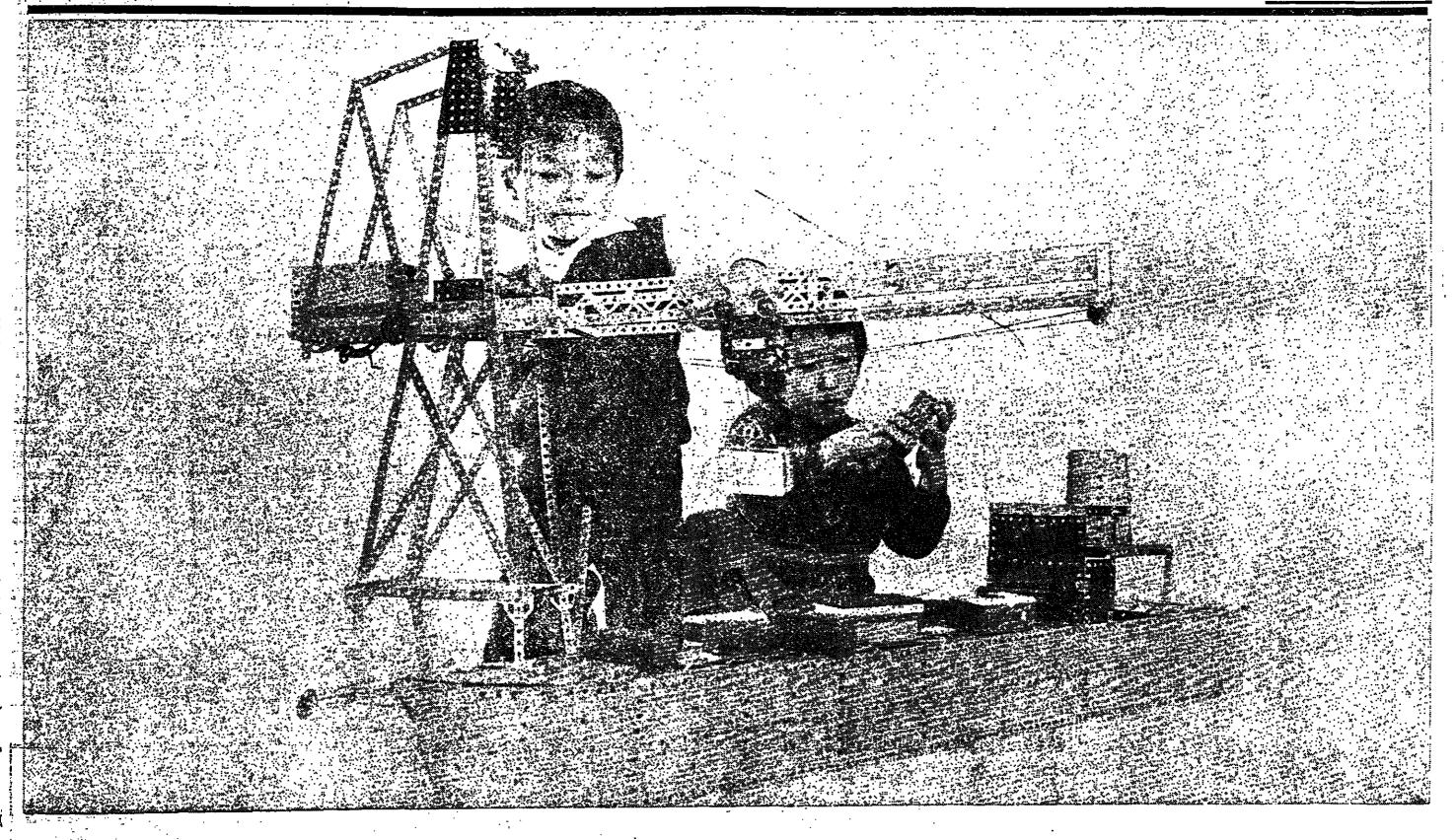
Monday June 15 1981



Hons Mong

Hong Kong is demonstrating its ability to sustain a high rate of economic growth, despite the sluggishness of other parts of the industrialised world. Nevertheless, the prosperous city-state is concerned about increasing political pressure against it. Success breeds jealousies which the small colony is not easily able to fend off.

CONTENT	S
The first city of Asia	11
Economic growth	Ш
Life in the metropolis	ĮΫ
After 1997	
Hong Kong and China	
Increase in joint ventures	ΥI
Shen Zhen	VI
Angle-Hong Kong relations	VIII
Links with Japan	Х
UK exports	x
!ilegal immigrants	X
Upgrading industry	XI
Profile: Lydia Dunn	XI_
Take-overs and mergers	XII
The stock market	XII
Industrial development	_XIII
Financial services	XIX
Gold futures market	XIX
Bank reform programme	XV
Financial institutions	XY
The domestic banks	XAI
The management team	XVIII
Administration	XVIII
Entrepot trade boom	XIX
Communications	XIX
Transport developments	XX
Educational policies	XXI
Property	XXII
Tourism industry	XXII
Profile: Conic group	XXIII



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Prosperous city-state faces new political pressures

THE FIRST CITY IN ASIA

KEYIN RAFFERTY

HONG KONG's splendid economic growth rates have raised it to the position of first city in Asia, not because it is the richest—Tokyo and Singapore

Kong offers an international melting pot where you can meet

tirely within the capable hands Britain tides and storms of economic Portuguese). fortune, dependent on the good- In commercial negotiations will of the rich world and, more the British are frequently to the whims of its mother and stepmother countries, China and

Uncertainty

There have already been a few twitches of uncertainty. These do not chiefly pertain to the leaden grey world eco-nomic climate. Hong Kong has frequently shown its ability to sustain high rates of economic growth in spite of sluggishness in the industrialised world. What the territory is more concerned about is increasing political pressure against it. breeds jealousies which a small city-state is not easily able to fend off.

The tiny 404 square mile territory is unique. It is part figurehead, dressed in fancy of China peopled 98 per cent clothes and riding in a grand by Chinese Cantonese, yet it has come to fame and fortune to run on its own sweet success-by following a path diagonally ful laissez-faire way. opposed to that pursued by the Sir Murray greatly increased

Its governance is a throwback to the imperial battles of the last century when an imperial Britain still ruling the waves wrested, from a weaker im-perial Manchu China, treaties giving it ownership of the island of Hong Kong and the Kowloon Peninsula and a 99 year lease over the rest of Kowloon, the new territories and a large number of outlying

Neither Chiang Kai-Shek and his Kuomingtang, nor the Communists who took over in regard—but because it is the only Asian international city.

It has its own staunchly Cantonese and Chinese culture, but through its open economy, its broad financial market place, its the broad financial market place, its the ferritory.

China in 1949, recognised the treaties, declaring them invalid. Hong Kong in China's view is irrevocably part of China. But China has had priorities and has shelved the matter, leaving Britain to run the territory.

Britain sometimes seems a reluctant ruler. Hong Kong can almost anyone and get almost reasonably claim to be the anything done swiftly and brightest jewel left in a British surely with possessions. But Britain However, as it travels into the 1980s and 1990s Hong Kong Kong. The 2.7m Hong Kong faces new questions, economic, born residents entitled to political, even concerning its British passports have been very existence. Its biggest handigiven second class citizenship
cap is that its fate is not enwithout the rights to settle in tirely within the capable hands Britain (whereas Portugal and brains of its own people, but at the risk of the winds and colony Macao as full blooded

to the point, subject specifically among the first to try to restrict goods from Hong Kong. Perhaps, say some energetic Hong Kong businessmen, Britain has grown lethargic and shabby and is dazzled and jealous of the territory's success so it behaves like a cruel stepmother. Over the next few months and years Britain will be forced to shoulder its responsibilities

towards Hong Kong.

The first question for Britain to decide is who will succeed Sir Murray MacLehose, who leaves in April after more than a decade as governor. In the eyes of most commentators he is the most successful governor in the colony's 140-year history. He has certainly given the lie to those who would relegate the governor to the role of mere car, while leaving the economy



Sir Murray MacLehose, Governor of Hong Kong

"TEN YEARS ago there was a frigid stand-off in Hong Kong—Chinese relations. Now we have close and very satisfactory relations with Chinese officials in Hong Kong and with Chinese officials in Guangdong. Not only is trade with China very great, but there is massive Chinese investment in Hong Kong and very large and useful Hong Kong investment in China. The lack of certainty

about the future may be a problem but the present economic and official relationships provide the best pos-sible basis from which to

in the economy. Social spending areas has risen. New-towns have been built to disperse industry and provide pleasanter housing and living conditions. Massive infrastructure projects like the cross harbour tunnel and the mass transit railway have been constructed. At the same time Sir Murray has presided over the highest growth rates in history. He has helped to build Chinese companies.

actions have simply shown how governor and for the Govern-

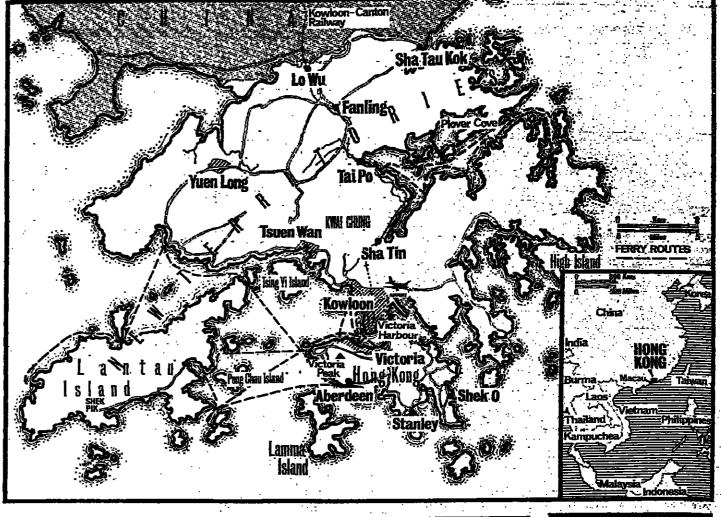
weakest areas are those of the Government itself. The police force is acknowledged to be in need of a boost in morale. Although it has attracted some bright younger men the senior leadership is weak. Transport systems continue to deteriorate in spite of the mass transit. The housing programme has undoubtedly been set back by the influx of immigrants straining resources. In five years Hong Kong's population expanded by 500,000 or 12.5 per cent through immigration — yet it was only last October that tough measures were taken to stem the immigrant flow. Housing, education, hospitals and crime pre-vention are all areas clamouring for more spending if Hong Kong is to stand still in terms of social

Closer still to the governor's own home, the organisation of the top level of the civil service badly needs attention. It is no secret that Sir Murray and the Chief Secretary, Sir Jack Cater, have not had a true working relationship lately. It has been more a question of mutual

If the government is to intervene more closely in the economy, as many people would argue, then it is important that the top officials work together as a team. Yet several senior civil servants have complained that by being a "reacher downer" Sir Murray upset the working of racy. The bureaucracy. The new governor's first task will be to pull the bureacracy together, lay down policy and delineate areas of responsibilities especially between himself as the chairman of Hong Kong and the chief secretary as chief executive or general manager and the financial secretary as

The position is the more uncertain because when the new governor arrives, all the top their new jobs. Sir Jack Cater is bridges with China, culminating going to London as Hong Kong's 1979 and in myriad links between Hong Kong and Chinese commences. etween Hong Kong and financial secretary to chief hinese companies. secretary and Mr. John In some ways Sir Murray's Bremridge has already taken over as financial secretary much more there is for a having been a private sector governor and for the Govern-businessman all his working Communist People's Republic, the Government's involvement ment to do. Some of the life. The appointments have

finance director or treasurer.



THIS SURVEY was written by Kevin Rafferty, Hong Kong Correspondent; Charles Smith, Far East Editor; and Kathryn Davies, Singapore Correspondent. Other contributors include Michaell Misquitta, Harvey Stockwin and Adrian Boven

attracted controversy so the resources or the market to collectors—who this year took governor will have a new team spend heavily on research and yet one not of his own choosing.

For the short term the economy seems to be set fair, but over the next few years the general framework will need close attention. In his February budget speech, Sir Philip Haddon-Cave forecast growth of 8 per cent for the present financial year, lower than the 11.3 per cent annual growth in gross domestic product of the past five years, but still high by Western industrial standards. Performance in the first quarter indicates that it is on target, said Sir Philip, the economic research centre of the Chinese University in fact predicted higher growth of 9.7 per cent this year. A lot will depend on the performance of world trade, especially on the U.S. and West Germany as importers, and on whether there is dis-

Questions

ruption in the oil markets.

Yet in the future, perhaps as soon as a year or so, the economic problems may begin to grow. Some are matters within the competence of industrialists and they must sink or swim with them, Other, basic, questions have to be sorted out by Government. Even in laissez-faire Hong Kong, which is the apple of Milton Friedman's eye, the interests of industry criss cross with those of the authorities, and the authorities have to make the choices which can make or mar the job of the industrialists. In the absence of an elected Government, the weight of decisions fall on the governor and

Because of its confined and cramped space Hong Kong's manufacturing sector is more or less limited to light industry. Given the small domestic market it is also highly depen-dent on trade. This has tended to mean it has concentrated on old faithfuls like textiles and clothing, electronics, watches and toys. With all the other constraints Hong Kong is also

Government consumption

Gross domestic fixed capital

Transfer costs of land and buildings

Building and construction

Government

Plant, machinery and

MTRC

expenditure

Private

Public

equipment

Private

Public

Re-exports

Imports of goods

Per capita GDP (\$)

Total final demand

Domestic demand

Private

Increase in stocks

Total exports of goods

Exports less imports of services 3,427

Domestic exports

development and make the real technological breakthrough which will be left to Japan and without the supply of cheap labour to turn out the mass

production cheap products. In some areas, such as watches, Hong Kong can probably stay ahead because no other country has the ability to move quickly enough or the essential experience of the contacts so important to business. In others, such as clothing, Hong Kong will have to go upmarket and hope it can gain by value added in quality, design and fashion and not lose too much by loss in volume. Even so, Hong Kong industry faces extra burdens and it has

been noted with concern that the contribution of manufacturing to GNP has fallen to about 26 per cent from 30 per cent 10 years ago. There are economists who believe the Government should intervene to alleviate some of the burdens.

Soaring land prices are the major area of concern. The past year has seen huge rises in land prices with the best located plots adding hundreds of millions of dollars to their price tag with each sale in some cases every few months. Economists have quite rightly talked of the new landed aristocracy before which businessmen empty their purses. One executive of a big trading company with strong interests in land commented that there was "no way in which the general trading interest can dominate this company. The shareholders want increased profits and property brings those booming The stock market feeds largely on property stocks rather than on manufacturing, which is still the lifeblood of Hong Kong.

The Government's role is crucial because it—as the main supplier of land—is also the king of the landed aristocrats. The Government has refused to introduce rent controls on industrial premises, preferring to keep a steady supply by releasing more land to the market. stuck in the middle grooves of ing more land to the market. these industries—without the But the Government's revenue

1975 *1979

5,568

23,694

669

5.415

5,453

3,695

1,758

663

6,974 20,022 30,072

9,230 17,574 20,933

74,106 172,452 217,877

10,868 12,944

12,157 15,336

11,494 14,581

-71 1,117

75,934 98,242

55,912 68,171

86,339 111,789

8,290 8,850

88,228 110,785

1.032

6.389

6,555

4,793

1,762

2,646

7,850

186

3,679

2.164

1,515

1.283

3.985

3,897

731

29,833

22,859

39,654

232

EXPENDITURE ON THE GROSS DOMESTIC

PRODUCT BY COMPONENT

(at current prices, 1970 to 1980 in \$m)

Private consumption expenditure 13,462 28,427 59,037 73,106

1,157

3,565

77

1,311

965

346

2.177

2,140

n.a.

15,238

12.347

2.891

4,853

36,849

Gross domestic product (GDP) 19,214 40,574 86,113 106,088

more than HK\$10bn (£0.8bn) from land sales-have a vested interest in high land prices.

The outgoing Financial Secretary, Sir Philip Haddon-Cave, began a series of reforms to strengthen Hong Kong's position as an international financial centre. These include reform of the banking structure, merger of the four Stock Exchanges, and tougher rules on takeovers and corporate disclosures. There had been fear among financial specialists that the good intentions could misfire and the Government only help to cook the goose that laid a lot of its golden eggs. Hong Kong remains a long way ahead of Singapore as an international financial centre but grumbles about high costs of living and Government inter-

vention have begun to grow. The Government has been urged to do more to promote research and development in areas of main concern to Hong Kong's often tiny and fragmented manufacturing com-panies. This was suggested by the official committee on diversification, but little has been done so far. A number of industrialists have commented that they would love to tap such research to help improve their products. They suggested that the Gov-

Vulnerable

Hong Kong is highly vulnerable because of protection by industrialised countries. If is galling for Hong Kong to find its goods shut out of the markets of richer countries be-cause their industries cannot produce as efficiently. It is the more galling to then find American companies moving in to capture the markets because in spite of the protection the rich country's industries cannot meet its own needs. This is happening in the clothing trade. It is unlikely that a single man could make a lot of dif-

ference, but some influential industrialists in Hong Kong wish for a more political gover-nor who could stand up and fight for the territory. Though it is true that Hong Kong lacks political clout or the where-withal to retaliate, commented one, it would be nice to have a governor who forgot the dip-lomatic niceties and spoke up and told Britain a few home truths.

There are also broad social questions. Not everybody has penefited equally from the great economic growth. The higher wages paid to a worker when growth is at 10 per cent do not make up for the worry about being jobless when it falls to 7 or 8 per cent. Laissez faire can be tough if you are at the bottom. Even with tens of worry about time spent in bus-queues, where their children will play what sort of education the children will have, what is the future of life in Hong Kong. The new governor of Hong Kong, whoever he is, will have to make crucial choices in all these areas. This may help to explain why there is unhappiness that Whitehall seems to be pushing the claims of Sir Edward Youde as Sir Murray MacLehose's successor on the grounds that he understands the Chinese, has been ambassain Peking and speaks Mandarin. Sir Edward may be admirably fitted, but those are wrong grounds for choosing Any new covernor of Hong Kong will have enough to preoccupy him, sorting out Macal," but there are limitathe problems of Hong Kong. Whitehall should deal Peking.

1997 (when in British law the dollars on the back of lease on Kowloon beyond envelope and settling within Boundary Street and on the minutes. In China simple deals New Territories expires) life for small sums can take months can go on as before. After all, and come clumsily wrapped in China does not recognise the red tape. China and Hong Kong treaties and Deng Xiaoping has are two different worlds and it told investors to set their will take a lot of effort and

BASIC STATISTICS Population (1980) 5.97m (U.S.\$ 21.35m) GDP per capita (1980) HK\$ 20.925

(U.S.\$ 4,219.3 TRADE 1980 Domestic exports \$13,716.5m

\$22.465m Exports to UK Imports from UK

MAIN TRADING PARTNERS \$3.910.5m Exports to EEC Exports to U.S. Imports from EEC Imports from U.S. Imports from Japan . \$5,160m Imports from China \$4,416.1m Inflation (1980) 15.5%

Re-exports (1980) U.S.\$6,050.7m Currency: £= HK3 10-73 \$=HK\$ 5.48

invested large sums in Hong Kong and needs to see it But while the diplomats and

politicians are trying to calm lears, businessmen and lawyers are more hard-headed. If 1997 is the ferminal date of the lease then investments and mortgages ernment could fund and en must have a payback period courage research and then sell of less than 16 years new. governments have a variety of ormulae for a solution to the problem which would be acceptable without loss of face. But China has too many problems of its own at the moment to want to face the issue squarely.

The problem for Hong Kong that confidence is such a delicate thing. Businessmen, today happy with Hong Kong, though a little bit worried each day closer to 1997, may tomorrow change their minds. Little things can move markets, especially in volatile Hong Kong, It is to be hoped the authorities have reserve plans in case confidence, the xital factor to Hong Kong's existence, should not observe the rime-table of governments and suddenly collapse:

What has also not been examined very carefully is whether Britain will be prepared to be titular stepmother of Hong Kong beyond 1997, and if so where will it get the officials of the ability and willingness to govern Hong Kong. Or indeed whether the Hong Kong. Chinese the control of the contro Hong Kong Chinese, increasingly prosperous, will accept the yoke of the Gwellos (foreign devils).

Income

There is a tendency to shuffle offstage the question of what eventually happens to Hong Kong and to assume that thousands of new flats built one day China will reabsorb every year, most Hong Kong Hong Kong and everyone will ditions high in tower blocks. The books was been been difficult than any be more difficult than any may be more difficult than any-one imagines to bring Hong Kong and China together

Just to look at crude per capita income figures shows the gulf between the two, China was aiming for per capita income of U.S.\$1.000 by the year 2000. But that has been abandoned as too ambitious. Instead China will settle for \$800 a head. In 1980 Hong Kong's per capita income was nearly \$4,000.

Lately there has been increased co-operation between Hong Kong and China. The Communist Chinese clearly have offered a special place in their hearts and economic plans to their "overseas compatriots and brothers in Hong Kong and tions. Business practices are so different. Many of the Hong Kong Chinese businessmen are of hints have been used to working out deals indrouped that even after June 30 volving millions and millions of told investors to "set their will take a lot of effort and hearts at ease." China has patience to bring them together.

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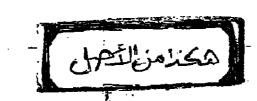
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35,405 76,544 96,225 Public 1,540 4,249 11,684 14,560 GDP deflator (1973=100) 75.8 114.8 155.4 175.6 Definitions of terms: Total final demand: Private consumption expenditure + Government consumption expenditure + gross domestic fixed capital formation + increase in stocks + total exports of goods + exports less imports of services. Private domestic demand: Private consumption expenditure + gross domestic fixed capital formation by the private sector + increase in stocks. Public domestic demand: Government consumption expenditure + gross domestic fixed capital formation by the Government and the Mass Transit Railway Corporation. Domestic-demand: Private domestic demand + public domestic demand. * Provisional estimates. † Preliminary estimates.

Source: Government statistics.

Per capita GDP Domestic exports

Re-exports

Consumer prices

Money supply (M3)

Imports ..

† Estimate.

Rapid growth indicates a bright future

THE ECONOMY CHARLES SMITH

HONG KONG'S record economic growth—and of real increases in the wealth of its population — bears comparison with the achievement of any of the other new industrial countries of East Asia whose collective economic performance astonished the world. Annual real growth of the Gross Domestic Product averaged over 11 per cent during the five years ending in December 1980 while per capita income, even allowing for the massive dilution caused by migration from China, had creased by an average of per cent per year over the

A continuation of Hong Kong's ditions which some Hong Kong the income level of the average Hong Kong citizen should overtake that of the average British conditions. that the questions start to arise. Can Hong Kong sustain the (already unprecedentedly long) boom of the past five years, or has rapid growth produced structural distortions which will require a pause before they can be sorted out? And if growth does slow down what will happen to the economy's ability to employ, house and feed the large numbers of immigrants who may continue to arrive from China?

Performance

If the Hong Kong economy had to stand or fall by the success of its manufacturing industries in raising their exports to "advanced" western countries, its recent performance would already be looking less brilliant than the GDP figures suggest. 1980 started off as a boom year for exports, with shipments increasing by 18 per cent in real terms during the first half of the year, despite the well-advertised economic problems of some of the main overseas purchasers of Hong Kong products. Export growth rates, however, turned down in the second half of the year and by the final quarter major importers such as the U.S., West Germany and Britain were buying barely more, or in some cases less, than they have purchased in the same period of the previous year.

The slowdown in Hong Kong's direct (or "domestic") exports meant that production levels in industries such as toys, textiles and electronics tended to stagnate, although conditions have remained relatively healthy in some branches of the garments industry. Coupled with a continuing increase in the numbers coming on the labour market, this has made for rising (if still fairly moderate) levels of unemployment. Real wage levels in the manufacturing sector also remained stationary, or even fell in real terms throughout 1931, despite the fact that workers in the construction industry and the service sector were earning more at the end of the year than at the beginning.

The relatively depressed con-

recent growth record through industries were experiencing by out the 1980s would mean that late 1980 stood out in odd contrast to conditions elsewhere in the economy where boom something take that of the average British conditions, or something edition sometime shortly before remarkably close to a boom, 90—but it is at this point continued to prevail. Hong at the questions start to arise. Kong's rapidly expanding service sector (including financia services and, most recently, the fast-growing entrepot sector) continued to flourish remarkably during the year, making further gains in its share of the GDP (at the expense of the manufacturing sector which now only contributes 26 per cent). The continuing rise in property prices (which appear to have been climbing by about 50 per cent per year since 1977) also lent the economy an air of prosperity—although high property values constituted both a problem for industrialists and a temptation to those who chose to close down their factories and build offices instead.

> 1981 statistics for "retained" index rose by 15.5 per cent over year.

showed a phenomenal rise of Government seems prepared to policy. 64 per cent suggesting that admit that industry's share of Even with the DTCs inside difficult conditions in some credit creation in Hong Kong the GDP has fallen as low as is the net it remains doubtful how overseas markets—ought to be prides itself on its adherence to "mopping up" surplus labour the principles of laisser faire that regularly floods onto Hong

Out of steam

The question which appeared to confront Hong Kong by the early spring of 1981, when Sir Philip Haddon-Cave, the Financial Secretary, got up to make his annual budget speech, was not whether the economy was about to run out of steam (although the Government's official forecast of 8 per cent real GDP growth for 1981 does suggest a slight deceleration from last year) but whether the Colony could afford to see a continued widening of the gap

YEAR-ON-YEAR **EXPORT GROWTH**

·	(%)
l	Money Real terms terms
)	1980 Jan-March 36 18
-	April-June 31 18
ζ.	
•	Oct-Dec 12 4
3	1981 Jan-March 17 8†
3	† Estimated on basis of first
•	two months. Source: Govern-
3	ment statistics.

between its booming services and property sectors and its Hong Kong's total lack of conmildly depressed manufactur-

ment is that conditions in industry are not as bad as they look. lation of the money supply. Hong Kong produces no statis-Booming property values tics for industrial production as have thought long and hard and fast-rising consumption of such However, exports of indus- about direct credit controls. imported products (reflected trial goods do provide a reasonclearly in the Government's able indicator of production different alternatives" says Sir imports of consumer goods) had export-orientation of most Hong however, their counterpart in a set of Kong industries, and these were decided against them on the price and monetary indices growing no more slowly grounds that they would be which made the economy look (although certainly no faster) hard to enforce in the laisser-distinctly overheated. Hong in the first quarter of 1981 than faire atmosphere of Hong Kong Kong's official consumer price in the final three months of last—and that anyway there is no

faster still. The M3 increase for the basic textiles sector, where which have mushroomed in have really taken place in the the whole of 1980 was 40 per some factories are said to be Hong Kong in recent years and way things used to function, cent but its largest single working at 25 per cent of which, so far have provided a should become clear later in element, credits by banks and capacity - that are doing massive loophole for any con- 1981 when, by rights, inflation other financial institutions, really hadly. Despite this the ceivable type of credit control

was becoming abnormally easy desirable, given the vital role much -even for a society which of the manufacturing sector in authorities can exercise on that regularly floods onto Hong interest rates are serving to of 1978.

Kong's labour market as a result deter "undesirable" forms of of migration over the border credit creation. A point widely from China. The Government is also plainly concerned about the "other side of the coin" - Hong

Kong's ballooning money supply and rapid consumer inflation though officials concerned with the economy in the Central Government Secretariat remain outwardly unflappable on this matter, as well as on other issues relating to the economy.

The key to the money supply problem - in so far as there can reasonably be said to be a

key to anything in Hong Kong's free-for-all economy — is that. at least until recently, the Government had only the vaguest idea of what was actually going on. Hong Kong's regularly published figures for M1 (cash and current deposits)
M2 (M1 plus time deposits with licensed banks) and M3 (all the former plus deposits with registered deposit-taking combetween domestic and external credit creation in the Colony either in terms of the currencies involved or of the purpose for which credits are to be used.

A second problem has been over outward or inward exchange flows and its deter-Part of the answer given to mination not to impose such this question by the Govern-controls, whatever may be the consequences for internal regu-The Government claims to

"We considered 16 or 17 levels, given the overwhelming Philip Haddon-Cave. Eventually. Government assurance that the authorities the 12 months of 1980 (following an 11.6 per cent rise in 1971, but considerably s'ower annual increases in previous year).

Suggestions that industry may "know best". The effectiveness to finterest rate guidance is turn upwards are being reinbeing stepped up by a new forced by arguments that it is licensing system for Deposit Suggestions that industry may "know best". The effectiveness

money flows, or to what extent ally lost in the closing months made by some critics of the system is that current rates of interest may be high enough to deter prospective borrowers for commercial or industrial purposes while still leaving an profit margin for property speculators.

Although admitting to a certain amount of worry about the money supply and the problem of how, or whether, to control credit, the officials who preside over Hong Kong's economic miracle continue to sound confident about the future. Hong Kong still functions, according to Sir Philip Haddon-Cave, on the basis of an automatic adjustment process which ensures that excessive inflows of money into the Colony (or undue increases in local price level) sooner or later work themselves our by a process which includes a decline in exports, a corresponding amount of domestic deflation panies) conceal the fact that and finally a resumption of there is no clear definition export competitivity and of export competitivity and foreign currency inflows.

Fulcrum

The difference between the 'classical" adjustment process of the early 1970s and the newstyle adjustment of today is said to be: first, that the process now takes place mainly through the floating exchange rate of the Hong Kong dollar, and second, that the exports that are the "fulcrum" of the adjustment process now consist to a very important extent of services instead of almost entirely of manufactures. What has not changed, according to the official analysis, is Hong Kong's "openness" to the outside world. or the flexible cost structure of its industry-at least as far as wages are concerned. As long as those factors hold good, it is claimed that all will be well

with the economy. Whether the Government is right to be as confident as ever increases in previous year).

forced by arguments that it is licensing system for Deposit about the adaptability and Meanwhile "broadly defined" not the whole of industry, but Taking Companies (the non-versatility of the Hong Kong money supply (M3) went up only certain sectors — such as bank financial institutions economy, or whether changes

should be starting to slow down and exports—despite admittedly real influence the recovering some of the buoyancy which was rather dramatic-

Popularity

With or without the benefits f "adjustment," Hong Kong it in the new decade. The Colony has become more than ever indispensable to China whose Hong Kong investments have burgeoned in the last three years. It has lost none of its popularity with the over-seas Chinese investors (and culators) who control much of the wealth of South-East Asia, and it is rated highly by U.S., European and Japanese multi-nationals as a base from which to do business throughout East Asia.

Success as an international financial and trading centre must, however, go hand in hand with a prosperous and viable domestic economy, and viability even in the case of Hong Kong - presumably entails a measure of financial and monetary stability. After five years of economic growth, which put many achievements of most neighbouring countries in the shade, Hong Kong now needs to look hard at the foundations on which it will build its future.

HOW THE ECONOMY HAS FARED (Real growth rates %)

		_			
	1977	1978	1979	1980	†1981
DP	10.2	10.2	₫.6	9.0	8.0
er capita GDP	8.5	8.0	2.1	5.4	
omestic exports	4.8	10.4	16.5	10.9	7.0
le-exports	6.0	25.8	29.0	37.3	25.0
mports	7.9	21.5	15.9	18.6	13.0
onsumer prices	5.8	5.9	11.6	15.5	
loney supply (M3)	n.a.	n.a.	29.7	39.9	_
visible and invisible trade balance (HK\$bn)	2.1	-2.3	-2.1	-4.6	_

Source: Government statistics.

Source: Hong Kong Trade Statistics.

HONG KONG'S MAJOR MARKETS FOR

RE-EXPORTS	
(TTTO)	

		(HK\$m)	<u> </u>		
	1978	1979	% change 1979/78	1980	% change 1980/79
China	214.4 (1.6)	1,315.2 (6.6)	+513.4	4,641.8 (15.4)	+252.9
U.S.	1,232.0 (9.3)	1,994.7 (10.0)	+ 61.9	3,084.8 (10.3)	+ 54.6
Indonesia	1,302.0 (9.9)	1,683.6 (8.4)	+ 29.3	2,761.4 (9.2)	+ 64.0
Singapore	1,389.5 (10.5)	1,803.7 (9.0)	+ 29.8	2,510.4 (8.4)	+ 39.2
Taiwan	1,221.0 (9.3)	1,729.7 (8.6)	+ 41.7	2,228.8 (7.4)	+ 28.9
Japan	2,281.6 (17.3)	2,477.4 (12.4)	+ 8.6	2,201.2 (7.3)	. – 11.1
Macau	358.1 (2.7)	604.8 (3.0)	+ 68.9	923.1 (3.1)	+ 52.6
Nigeria	247.0 (1.9)	377.0 (1.9)	+ 52.6	842.8 (2.8)	+123.6
UK	147.1 (1.1)	374.0 (1.9)	+154.4	817.7 (2.7)	+118.6
West Germany	103.6 (0.8)	458.8 (2.3)	+342.9	654.8 (2.2)	+ 42.7
All countries	13,197.0 (100.0)	20,022.0 (100.0)	+ 51.7	30,072.0 (100.0)	+ 50.2

HONG KONG'S TOP THIRTY TRADING PARTNERS

HU S	IOL MILLIE HINDS	
	(Values in HK\$m)	
_		

Ran	king				king		
otal	trade	Countries	Total		trade		Total
1980	1981	(1981 order)	trade	1980	1981	(1981 order)	trade
	J-F	•	1980	J-D	J-F		1980
	• -	WORLD	209.894	14	16	Italy	2,696
1	1	U.S.		21	17	Nigeria	1,870
2	2	Japan		17	18	Netherlands	2,562
3	3	China		22	19	Macan	1,711
5	4	Singapore		20	20	Malaysia	1,931
ő	5	Taiwan		18	21	Belgium/Luxembourg	2,210
ă	6	UK		23	22	Israel	1.437
7	Ţ	West Germany	77.222	19	23	South Africa	1.932
8	ģ	South Korea		24	24	Sweden	1,369
1Î	9	Indonesia		25	25	Saudi Arabia	1,356
10	10	Australia		27	26	India	1.088
3	11	Switzerland	7	26	27	Panama	1.130
12	12	France		1 28	28	Pakistan	1,011
13	13	Canada		30	29	United Arab Emirates	847
		Thailand	_'	29	30	Spain	
15 16	14 15	Philippines	=-=-	4		Source: Government st	atistics.

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Stark contrasts in a complex society

THE METROPOLIS

KEVIN RAFFERTY AND MICHELLE MISQUITTA

ALMOST EVERY day the South China Morning Post has two or more pages of powerful reminders that Hong Kong offers almost the best harbour view in the world and can be a mest desirable place in which to live: "Sale 2.100 sq ft house, Sheung Sze Wan, European design, excellent sea and country views, price HK\$2m (£180,000) for quick sale; For sale, Peak, Severn Road, 1,550 sq ft HK\$4.6m (£410,000). To tet Kennedy Road, 1.725 sq ft, three bedrooms, harbour view, communal pool, HK\$ 32,000 (£2,850) per month: To let, the Peak, 1,200 sq ft, full furnished. two bedrooms, HK\$ 23,000 (£2,050) per month."

However, not everyone can Peak and the view of the harbour with vessels such as the QE2 liner or ocean-crossing container ships reduced to twinkling dots, or look loftily on the skyscrapers below craning upwards for light and air Government to rehouse the and yet still not intruding on family. They have been the panoramas from the Peakprovided that the mists do not obliterate everything.

Down in Kwan Tung Estate. Mrs Lau also has a shrouded been fixed. Even so, Mrs. Lau view. It is shrouded by other is worried whether they will be buildings and other families' able to afford the higher rents washing and by the thick of the more modern Governlingering fug of cooking smells. ment flats where they will On a clear day you do not need probably have to pay at least the help of an electric light to HK\$500 a month instead of the

cabinets with the washing, like children gets married, when which used to be the glamour a 10-year period until 1983, but that sum. papers, strewn all over the by Government rule they have area—and the backbone of instead of between 40.000 and. For the Laus, however, there place, Inside, the gloom might to leave—ther voice trails. Hong Kong's development—is 45.000 units, the average is have been benefits from Hong

for the eerie glow cast by the those possibilities. television set.

Living here is primitive. The Laus, mother, father and the seven of their nine children left at home occupy what they describe as three large rooms, of hutches clinging on to the but which in Europe would be rough terrain like mountain considered hardly larger than box rooms. Here, all the living, entertaining and sleeping has to be done. Some of the family sleep in bunk beds, some sleep on the floor of the living room "which is cooler" said one of the daughters, and the two boys queue fora parking place to put their cats out on what they call a verandah but which is a passageway around the flats. Space is economised at the expense of privacy. There is no wasted space, for example,

in the bathroom, lavatory, or on washing or cooking facilities. The flat has no running water and no kitchen. Showers are taken in communal areas: one for the women, another for the men. Washing is done in another large room shared by enjoy the shrouded mists of the Cooking is done on the verandah.

Mrs. Lau is also thinking of moving but she is not scanning the columns of the Morning Post; she is waiting for the promised that they are on the list but that might mean next year, or the year after, or the year after that. No date has make out who is sitting uposite present HK\$152. With an you in the cluttered living income of just over HK\$5,000 room a month and nine people to From the outside, the blocks look after, there is not much of flats look like rows of to spare. If her husband loses thoroughly ransacked filing his job, if another of her cabinets with the washing, like children gets married, when

It should not be thought that the Laus are even among the worst off of Hong Kong's Chinese. Further up the hill there is a considerable cluster goats. Accommodation here. with not even the most basic facilities shared between them, is more expensive than government flats: a hutch can sell for anything between HK\$10,000 and HK\$20,000. The Triad gangs offer the housing then clear off with the money, leaving the squatters to hope that the police will not tear in and clear the land for illegal possession. In East Kowloon a bed space in a slum can cost HK\$100 a month and a 100 sq ft flat up to HK\$500. Altogether. 2m people live in substandard housing.

Multi-lavered

The danger is that Hong Kong could turn into a multi-layered society where only the very rich can rest comfortably. At the top level, claimed a foreign banker, Hong Kong "has more men than in any other city in the world who could put U.S.\$1m into a suitcase within 24 hours, as well as a few who could raise U.S.\$1bn if necessary." Some of these have sought the international limelight, but many have not. They can live on the Peak, though European colonial enclave and

in a good area of Kowloon.

he described as Dickensian but off, preferring not to think of losing its magic, partly because 32,000 units a year. In these Kong's great growth. Although property is so expensive and circumstances the entry of industrialists have to protect illegal immigrants places an themselves.

> a growing number of young pro- years or more. fessional people. Some of them have been educated abroad, but by choice, partly out of identity, partly out of opportunity. Some of them, more cautious and harder by the rule that they seeking an insurance, have gone must move out of their parents' to work for international comwill be part of an international network not stranded in Hong

These people, typically working in the financial and service sectors or in trading companies, have also benefited from Hong Kong's growth. Their salaries run from HK\$10,000 a month upwards. Some middle to top Chinese executives of merchant banks are earning HK\$20,000 to HK\$25,000 a month with housing allowances on top. A Chinese executive may cost HK\$350,000 a year or more, fast catching up with the HK\$500,000 and upwards it costs to keep an expatriate in the territory. At any rate, executives like these are protected from the rising costs of living, especially in housing where Hong Kong is more costly than Europe.

Those who are not protected are the ordinary workers whose hard work and willingness to change jobs is supposed to have most of them shun it as the old spurred on the Territory's success. Housing is only one area instead opt for Repules Bay or where they are vulnerable. Stanley, or even a luxury flat Although Mr Douald Liao, the secretary for housing, last year Such men will survive and patted the housing authority on thrive, especially if they have the back for reaching an annual property. What has begun to output of 35,000 rental and worry the authorities is that too home ownership flats, the fact much effort and talent and is that the output has slipped money is being concentrated in a long way below targets. The property and that industry, plans was for 400,000 units over

extra burden on the Govern-Below the industrialists, are ment's waiting lists of seven

The astronomic rise in rents means the ordinary worker canhave come back to Hong Kong not hope to afford private hous-Government housing. Even for panies in the hope that if the the better off it is difficult to worst comes to the worst they stay out of the clutches of the housing racketeers.

Vulnerable

The ordinary workers are more vulnerable in other ways. These include their jobs preof Hong Kong's industry. Hong Kong has almost 45,500 manufacturing establishments, of which 90 per cent are cottage industries employing fewer than 50 people each. They can switch from, so the conventional wisdom goes, plastic flowers to wigs to dolls. moving quickly with the market. In times of normal trade this means that as factories switch. so workers can continue in work, but at times of recession, and with growing protectionist tendencies so do the chances of workers losing their livelihoods completely.

A survey conducted in Kwan Tung by the Christian Industrial Commission showed that 40 per cent of the workers had experienced some unemployment or short time working over the past 10 months. About a quarter of all the workers interviewed had suffered a drop of more than 50 per cent in their earnings, more than 46 per cent of the workers earned less than HK\$1200 a month, and 70 per cent of the workers in the electronics industry earned less than

the family grumbles that the price of rise has doubled in the last two years, the price of oil for cooking has gone up by nearly three times as much and the price of oranges has risen five times, there are signs of material prosperity. The family is a two-television family, one large black-and-white set and a smaller colour one. It has a telephone, and the living room is littered with the brand-name products advertised on the television. There is no proper storage space to hide the plethora of household aids and beauty products. A giant bottle of Coca-Cola was ordered to celebrate our arrival.

Mrs. Lau is not very talkative. Her horizons are clearly limited. when asked if anyone in the neighbourhood had really become rich, she thought and then replied that one husband wife had become hawkers, sold fish, and earned enough to buy their own flat. Our interpreter interjected that the area in which the "rich" couple lived was hardly a step up from the Kwan Tung housing estate.

The opportunity of going from rags to riches is supposed to be the greatest asset of the tions and pay her the higher Hong Kong laisser-faire salary deserved for all the system, but in the modern age effort. even the moderately poor like the Laus never get within reach of a handle with which to haul themselves up to the level of a

Mercedes. The quality of the returned from China and she local schooling is poor and thoughtfully summed up the there is never enough resources differences between the two to get a head start in business. societies: "It is not as primitive One of the daughters, by dint as it used to be. The environ-of studying at night school, had ment is better than Hong Kong managed to get form five educa- and the food is adequate. But tion passes but is now stuck there is not the freedom."
trying to find a job—in the As for the British, the trying to find a job—in the police or Government servicewhich will justify her qualifica-

The Lau children have had more education than their a need-for some kind of protec-parents and have more tion. "Hong Kong is supposed grumbles. The eldest daughter to be rich. Why should we be living at home had recently left poor?"

daughter had no good words,

because, she said, she had seen how the expatriates live and how the Hong Kong Chinese are left vulnerable. In housing and in jobs, she thought, there was



School children at Sha Tin, one of Hong Kong's . new towns

New links with China may clear the way ahead

AFTER 1997

CHARLES SMITH

HONG KONG does have a China problem, but not one that is in any way connected with the attitudes or intentions of the men who now hold power in Peking. It is that the 99-year lease under which Britain gained control of the New Territories from the old Chinese Imperial Government expires on

June 30 1997. China does not recognise the validity of this lease which it classes among the "unequal treades" imposed by the Western imperialists during its "period of weakness." Brilain, however, recognises the lease and is, accordingly, committed to withdraw from the greater part of what now constitutes the Colony of Hong Kong in 16 years' time-unless something happens to change the position

in the meantime. Not only that but all leases on Crown land in the New Territories will expire on June 27 1977—three days before the "head lease" on the New Territories themselves. This means that no legal relationships which involve land can extend for more than 16 years, no matter how likely it may appear that Hong Kong will continue to exist in something like its present form well into the 21st Century.

Sixteen years is an adequate period for most types of industrial investment but 10 or 12 years might strike many businessmen as being rather short. It follows that—at some time during the next few years— Hong Kong's future may have to be clarified if the Colony is to continue to flourish.

Exactly what this clarification

Taxing

should consist of, and who should provide it, are questions which have been taxing the best brains in Hong Kong Univer-sity's Department of Political Science, and in the office of the admical Adviser to the Governor for some years now. The consensus appears to be that, although the "1997 problem" is strictly speaking of Britain's own making it would not do for the UK simply to start extending leases in the New Territories beyond the 1997 deadline without consulting China. A : ..ilateral solution of this kind would be bound to provoke China which takes the view that Hong Kong is Chinese territory under temporary —if not yet to be terminated—occupation by the UK. Consequently, it is argued, the clarification of Hong Kong's future should be made by the Chinese, or should at least take the form of a joint statement by Britain and

China to come up with a statement on the future of Hong. Kong-even one that merely confirms the existing status of the Colony as defined by the lease agreement—is that Peking's present leadership refuses to see the problem as an' urgent one. Internal economic rank higher on the agenda of Vice Chairman Deng Hsiaoping at present than the ques-tion of how to sort out a legal making, in an apparently pros- under

The trouble about expecting

perous and stable community. have lended to confine them- about their business in more selves to stressing that there is or less the same way as under plenty of time" left to solve the present government-both

when the time does come to lations at Shum (usually called find a solution the interests of foreign investors in the Colony will be protected.

Hong Kong's Governor, Sir-Murray MacLehouse, was told by Vice Chairman Deng on a visit to Peking in 1977 that Hong Kong investors should "set their hearts at ease"—a remark which could mean that China will allow foreign invest-. ment in Hong Kong to continue after Chinese sovereignty is restored but which certainly does not amount to a promise to perpetuate the status quo.

Ouestion

Almost the same form of words was used in April 1981 when Lord Carrington again raised the question of Hong Kong's future in talks with the Chinese leadership.

China's apparent desire to postpone a decision on Hong Kong makes sense in domestic Chinese political terms given the sensitive nature of the issues involved and the possibility that any settlement could backfire against the leader or leaders responsible for negotiating it. Despite this it seems unlikely that Peking will be able to evade the issue for ever.

China depends on Hong Kong for an estimated 45 per cent of its foreign exchange earnings— about US\$6bn—and would be hard put to replace these earnings if Hong Kong were to revert overnight to Chinese con-trol, or if the Hong Kong economy began to suffer from any drastic decline in business

confidence. A British threat to withdraw from Hong Kong, while obviously not desirable, would be one way of forcing the Peking leadership to realise that it does not hold all the cards in the Hong Kong poker game. Even without such a threat it looks as if the two sides will sooner or later have to sit down together to discuss the Colony's

future. The big question, if and when these talks finally start, could turn out to be whether they can be confined simply to discussing an extension of the status quo in Hong Kong or whether Britain will have to offer something in return.

Most observers feel that there will have to be a quid pro quo for any extension of British tenure and that it could involve changes in the degree to which China exercises sovereignty over the Territory. A "moderate" solution for Hong Kong in the era after 1997 might involve a lease over the whole Territory—instead of the lease over the New Territories combined with British sovereignty "in perpetuity" over Kowloon and Hong Kong which constitutes the present

radical-and perhaps More more probable—solutions might take the form of some kind of Sino-British condominium or of the withdrawal of British troops ing of veto powers to a Chinese representative-roughly the present situation in biacao. At the far extreme there

appears some reason to believe in a few years time. that China would eventually like to incorporate Hong Kong and political problems clearly into the special economic rone it has begun to develop at Shum Incorporation of Hong Kong tangle, essentially of Britain's into a special economic zone Chinese sovereignty would theoretically China's leaders, accordingly, foreign investors free to go

Hong Kong's problems and that taxation and employment regu-Shen Zhen, the mandarin version of the name, by Peking) Chun are different from those in the rest of China.

Whether it would also allow Hong Kong to continue benefiting from the textile and other export quotas it has managed to win for itself in the markets of various developed nations is another and more difficult ques-The odds in favour or against

any of these possible versions of Hong Kong's post-1977 status are impossible to calculate at present and may well remain so for at least another five years.

What can be said is that the psychological background against which negotiations will take place seems likely to be favourable.

Hong Kong had no direct relations with China of any kind until a decade ago but is today bound to the mainland by a network of interlocking investments and by regular contacts between officials.

Travel across the border to Guangzhou has boomed in the past three years and in the past year direct flights have been established between Kaitak International Airport and a number of major Chinese cities such as Peking Shanghai, Gueilin and Hangzhou. Partly because of the new airlinks, but more owing to the massive flow of businessmen and tourists over the land border into Guangzhou, there were more than four million arrivals of Hong Kong visitors in China last year—a greater number than that of tourist arrivals in Hong Kong from the outside world.

The ever widening range of contacts between Hong Kong and the mainland includes some which have caused headaches for both sides. Hong Kong's immense problems in accommodating illegal Chinese immigrants—before the government clamped down last year with the understanding and co-operation of China—is the best publicised of the various problems that China has caused the Colony. As far as China is concerned Hong Kong ranks as a major source of, and destination for, smuggled goods.

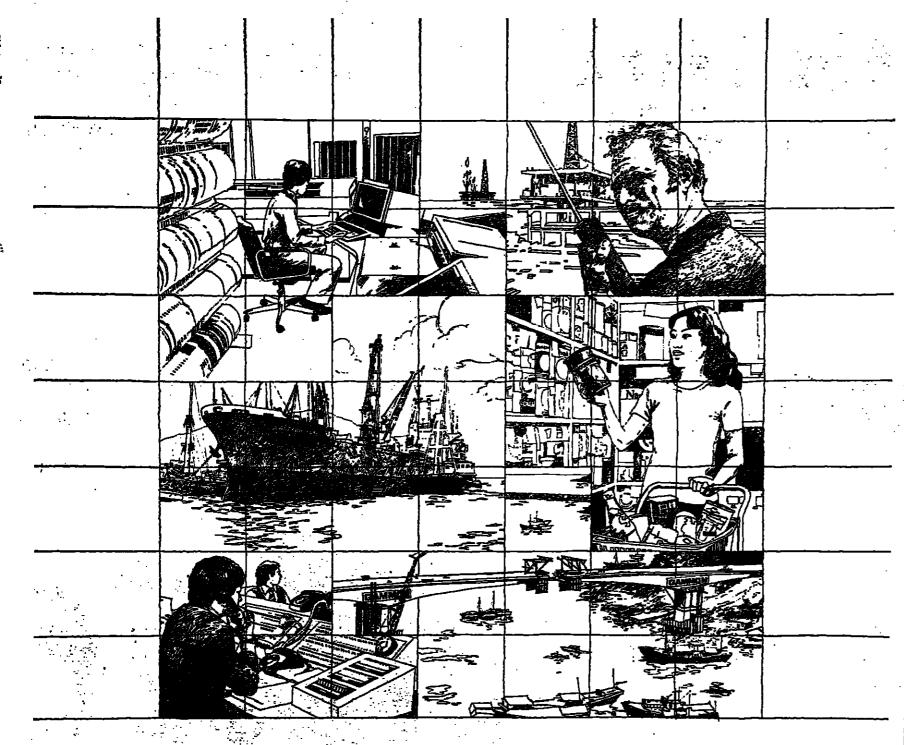
Smuggling

The silver coins and medicinal herbs that pour out of Guangzhou into the New Territories represent one aspect of this problem. Smuggling into China consists mainly of con-sumer durables such as watches, transistors, TV sets and clothes and may well be a business worth hundreds of millions of

Hong Kong dollars. The trouble that both the Hong Kong authorities and the various levels of China's domestic bureaucracy have taken to understand each other's viewpoint on specific aspects of the relationship in from Hong Kong and the grant- the past year or two should be a good omen for understanding and co-operation when the future of Hong Kong comes up for discussion in broader terms

Talks on the renewal or replacement of the 1997 lease will of course be held between the UK Government and the Chun on the northern side of top leadership in Peking, and the New Territories border, political conditions in both capitals will presumably affect their outcome.

> This does not alter the fact that the Hong Kong-China relationship seems to suit both sides better today than at almost any previous time in the Colony's chequered history.



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The Hong Kong that Jardines played such an important role in founding in 1842 is today one of the greatest commercial centres in the world. At every stage Jardines have contributed

to that development.

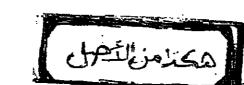
As Hong Kong has grown into an international city, so Jardines have emerged as an international company, employing over 50,000 people in more than 20 countries and, through its divisions, subsidiaries and associates, providing almost every type of commercial service throughout Asia, the Pacific and

Southern Africa. But notwithstanding the wide geographical spread of Jardines' interests, Hong Kong remains the Company's principal base of operations. Indeed, Jardines' past is woven into Hong

The Company's involvement can be felt in almost every area of Hong Kong's rapid development - in trade and commerce, in civil engineering and construction, in shipping and aviation, in financial and other services. Drawing on a century and a half of experience in China trading. Jardines are also helping Hong Kong contribute to China's modernization programme.

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HONG KONG AND CHINA.

KEVIN RAFFERTY

PNTIL A few years ago rela-tions between Hong Kong and phina rested at best on a relierance based on recognition their mutual usefulness and pendence. Beneath it there was a great deal of suspicionand not a lot of love lost. Hong Kong needed food and water from China to survive. In re-turn it supplied useful hard currency earnings and offered self-contained China a peephole on the outside world.

· Now, as China has become more outward-looking the importance of Hong Kong has not faded—2s it perhaps could have done—but has grown. Ties between the two have increased. There is talk of co-operation and partnership. There is even some optimism that 1997 (when Britain is scheduled to hand back to China most of the territory in accordance with leases granted in the last century) will not be an issue—that it will just become a matter to be settled between brothers and friends.

Dependence

Hong Kong's traditional de-pendence on China remains and will grow as the population grows and prospers. The Colony's citizens would starve without Chinese supplies of food and water. Indeed if China this year had not agreed to increase its water supplies the territory would probably have had to suffer severe rationing because of poor rain-fall early

in the year.

China supplies Hong Kong annually with more than 50 per cent of its rice, 40 per cent of its vegetables, about 75 per cent of its pigs, 80 per cent of its cattle and nearly 30 per cent of its live poultry as well as 70 per cent of its freshwater fish. It also provides 30 per cent of Hong Kong's oil imports.

What is perhaps more un-expected is that as China has opened up it has come to lean more rather than less on Hong Kong. Instead of being just a listening post, Hong Kong has become eyes and ears and a commercial market-place as well as a training ground for Chinese going out into the wider

The range of Chinese activities in Hong Kong has greatly increased as Chinese companies have spread into shipping, shipbuilding; ... merchant banking, electronics and the great growth area of construction and pro-

Kong With its head office next door to the headquarters of the Hongkong and Shanghai Bank, its decidedly Chinesestyle stone lions a nice counterpoint to the bronze imperial lions of the Hongkong it is a reminder of Chinese presence banks have been expanding their share of the Hong Kong dollar deposit base by their vigorous programme of opening new branches. Altogether they have than 180 branches throughout Hong Kong. Thanks to computer links a customer with an account in the China

Tower in central Hong Kong can withdraw money or make deposits at a branch of, say, the Kincheng Banking Corporation or the Bank of Communications or the China and South Sea Bank or any of the other Com-munist bank branches scattered throughout the territory. Some bank researchers claim that the Chinese banks together may have between 30 and 40

State Bank in, say, Gloucester

per cent of total Hong Kong dollar deposits. Obviously the Communist banks have also been able to pick up many of the accounts involving trade with China, where they have a reputation for offering competi-tive terms. They have also cultivated the business in sending money back to China.

Hong Kong was Peking's largest

Source: Government statistics.

from China to Hong Kong last year were U.S.\$4.4bn and China's imports from the Colony U.S.\$1.26bn, giving China a considerable surplus.

Not the Balak of China's building next to the Hongkong Bank headquarters may be worth U.S.\$150m or more at present property prices).

Property ventures include

all China's goods remained in Hong Kong. In fact an increasing element of trade with China is the re-surgence of Rong Kong's tradi-tional entrepot role, which because of its shipping and communications facilities can move goods more speedily and surely

Chinese goods re-exported through Hong Kong came to almost U.S.\$1.7bn last year. Moreover, of the U.S.\$1.2bn of goods reaching China through Hong Kong last year U.S.\$933m were foreign goods using the British territory as an entrepot. A large quantity of them originated from Taiwan.

The growing exports are the biggest contributor to China's hard currency earnings via Hong Kong—earnings which have become more diversified. Hong Kong was the source of at least U.S.\$6bn of China's at least U.S. 2001 of China's total hard currency earnings last year of U.S. 219.2bn, Some economists doing more careful sums have put Hong Kong's contribution as high as U.S.\$6.8bn.

Besides trade there are remittances to China from abroad, which totalled more than U.S.\$600m last year. A good proportion goes through Hong Kong, if only because it offers a large number of Communist banks which will see that the money arrives safely. In South-East Asia, where there are large numbers of overseas Chinese, political relationships between a number of countries and China are delicate (Singapore and Indonesia do not have diplomatic relations with Peking); sending of money to China could be considered provocative by

Tourism, which provided China with an estimated U.S.\$640m last year is another source: 90 per cent of the tourists were Hong Kong residents. As longer haul travellers they spend more money because they are more likely to stay in hotels than with family or friends and to use more expensive means of transport. As a result Hong Kong provides more than 60 per cent of China's earnings from tourism.

Joint venture and co-operaagreements Chinese and foreign companies also provide a source of hard currency for China. These agreements have been increasing at such a pace that it is difficult to keep track of them —and even more difficult, given the variety of deals, to put a dollar value on their contribuperty. The traditional areas of tion. However, foral foreign banking and retail business have capital involved in the deals signed last year was more than U.S.\$1.1bn. The Bank of China has long

Investments

But perhaps the richest recent source of earnings for China from Hong Kong comes from investments in the territory. According to Hong Kong and China observers, one of the and interests in the Colony.

In the past few years the might be life for Hong Kong Bank of China and its 12 sister after 1997 was when China began to put money into pro-perty in the Colony. After all, the optimists reasoned, why should Peking use good hard currency to pay for land that it regarded as legally belonging to it. The cynical answer may be that China too realised that the fastest way to make a hard currency buck in Hong Kong was to invest in property. Even so, there is an insurance factor for Hong Kong in that China, if it wants its profits, is committed to the stability and continuing

prosperity of Hong Kong.
All told China probably gains
close to U.S.\$1bn a year in hard currency from what may loosely be termed its investments in Hong Kong. Of this sum, something like U.S.\$350m comes short-term borrowings from the Chinese banks in the territory. A much larger sum, possibly up to U.S.\$650m, comes from the investments proper

Guestimates of China's in-volvement in the Hong Kong property market vary widely and run from not less than U.S.\$700m—the total of the bare Other traditional areas of cost of land in the published business between Hong Kong and China are also flourishing.

Hong Kong was Polyman language. established Chinese ventures in

market last year, accounting for the territory, like banks and about a quarter of China's bard emporia, have their own currency exports. Total exports premises. (The Bank of China

Property ventures include some in which the Chinese company concerned has gone it alone. Among these are the HK\$300m deal in which China Resources—China's commodity marketing company in Hong Kong-bought land in Wanchai near the Hong Kong central district in order to build a 50-storey China Overseas Trade centre. This land was sold by the Government by private

treaty.
Kiu Kwong Investments has frequently been the Chinese company involved in land deals, sometimes on its own, sometimes in co-operation with a Hong Kong company. It has two deals for building offices top of Mass Transit Railway stations and it has two deals with Li Kashing's Cheung Kong

Cheung Kong, Trafalgar Housing and Wheelock Marden are also involved with China Resources in one of the biggest property projects, which is to ouild a whole new city on a 1:200-acre site in the New Territories at Tin Shui Wai. This deal will be spread over 15 years and was estimated to cost

HK\$8bn at 1980 prices. But China has gone further into Hong Kong construction and China Resources the reprojects than mere property maining 10 per cent, and the development. It has formed its International United Shipping

HONG KONG'S TRADE WITH CHINA

Ranking			January-December					
•		J-J			-		% change	e
•	1980	1981	1978	1979	1980	°79-°78	'80-'79	'81-'8 0
Domestic exports	8	5	81	603	1,605	+643	+166	-}- 86
Re-exports	1	1	214	1,315	4,642	+51 4	+253	+250
Imports	2	2	10,550	15.130	21,948	+ 43	+ 45	+ 36
Total trade	3	2	10,845	17,048	28,195	+ 57	+ 65	+ 61
Trade balance			-10,255	-13,212	-15,701	•		
;					Som	rce: Gover	oment si	atistics.

own building corporation, which will employ Hong Kong workers in building operations

Though property deals take the lion's share of China's investment involvement in Hong Kong, reflecting the greatest proster there has also been fits, there has also been industrial and commercial and

Deals

Industry includes an elec-tronics company in which the Chinese partner is Hua Yuan, a company allied to China Resources. Commercial deals include a merchant bank, CCIC, in which the Bank of China, First National Bank of Chicago and the Industrial Bank of Japan have 30 per cent each

Investment Company. linked with Sir Yur-Kong Pao's Worldwide Shipping. The latter is one of the few deals in which the Hong Kong partner has a majority share, in this case 55

But the experience of the

per cent.

past few years is that the value of Hong Kong to China extends well beyond the money invested and the cash return sought. and the cash return sought.

Hong Kong is also the training ground for young Chinese executives and also for management. As one banker closely involved with China put it: "Chinese is written and spoken here. The people are Chinese. Yet Hong Kong is a fast-moving place, especially in the commercial and financial in the commercial and financial fields. Chinese can learn all the modern techniques and yet feel at home and almost be at

Economically and commer- price.

cially the reasons for the conbetween Hong Kong and China seem compelling. For a long time ahead China will need all the foreign exchange earnings it can get, and some more to

> gramme—which has already faltered because the resources But the word "resources" in this context has wider implica-It means a deep-water port and experience of trade and barcommunications, experience, an open window on the rest of the world: Hong Kong offers all the Chinese can feel comfortable, Chinese to Chinese. The question may be whether it is

possible politically at the right

Import of fuels from China, as a proportion of imports from sources (percentage): Gas oil, diesel oil and distillate 68.9 Supply from China as a proportion of total supply of food-Live poultry Sand supplied by China:

HONG KONG'S IMPORTS FROM CHINA

(Figures are in U.S.\$m)

Water supplied by China: Million cubie metres Value (US\$m) 1975 93 5 1976 91 5 1977 131 7 1978 144 10 1979 148 14 1980 172 17	1977 1978 1979 1980		787,442 991,000 1,238,686 1,188,395	7 7 8 8
metres Value (US\$m) 1975 93 5 5 1976 91 5 131 7 1978 144 10 1979 148 14		ater supplied by China:	<u></u>	
1975 93 5 1976 91 5 1977 131 7 1978 144 10 1979 148 14				
1976 91 5 1977 131 7 1978 144 10 1979 148 14				. Astroa (ngam)
1977 131 7 1978 144 10 1979 148 14				2 .
1978 144 10 1979 148 14				<u> </u>
1979 148 14				•
2010				
1980 172 17				
	1980		172	

1980	172	
Fresh water fish:	1979	1989
Total import	Metric tons US\$m 35,443 69.4 (31,664) 63.1 6,885	Metric tons US\$m 37,437 84.4 33,192 76.4 7,250
Total consumption	42,328	44,687
-	Source: Gov	ernment statistics

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DOMESTIC EXPORTS AND IMPORTS (By major markets, 1980)

		(B) major mainting		
Ranking				
1980		Major Markets	1980 HK\$ m	
J-D	J-F	(1981 Order)		
		ALL DOMESTIC EXPORTS	22.591.49	
. 1	. 1		44,00 X-10	
2	2	TO TO COMMONY	7,383.60	
. 3.		TIE	6,791.43	
	3	UK China	1,605.18	
8	4	China	T-CATTOR	
5	5	Australia	2,328.60	
4.	6	Japan	1.782.13	
7	7	Australia Japan Canada	1,575.03	
9.	8	Talkawienie	1,790.78	
6	Š	Singapore Nigeria	3,130,10	
13	10	Nigeria	1,025.11	
		Markey	1,407.45	
10	11	Nigeria France Switzerland	1,279.45	
11	12	SMICE Jame	·	
		ALL EMPORTS	111,650.54	
	_	ALL INIONED III	25,643.89	
1		Japan	21.948.23	
2	2	China	13,209.99	
3	3	U.S.A.	7.961.15	
4	4		7.383.75	
	- 5	Singapore		
· 6	ě	TTP	5,456.41	
	7	South Kores	3,868.79	
	ś	South Korea F. R. Germany	2,882.71	
9	_		2,896.79	
. 8	9	Australia	1.697.75	
. 10	10	Australia		

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JOINT VENTURES WITH CHINA

KEVIN RAFFERTY

IN HONG KONG you don't hear the plaintive noises about China's aconomy that can be picked up freely on the business circuit in Japan or the U.S. The reason is that while businessmen in other countries have been delayed or left floundering as with its purse, Hong Kong's companies have gone ahead and signed literally hundreds of agreements for joint deals, with

It has helped that Hong Kong is mainly concerned with light industrial products, rather than with heavy plant and equipment. The typical Hong Kong company is not looking for business that will drain China of millions of dollars of foreign exchange reserves; rather, the deals are expected to earn exports for China. Even the one big capital-intensive project on the drawing board—the proposed China Light and Power— Guangdong Electric Company foreign participation have been nuclear power station a set up or are under construction U.S.\$4bn deal which is now only and overseas businesses had awaiting the green light from Peking—hardly involves China end of March. 68 per cent of it

Understanding

tage employed by Hong Kong tures, contractual joint ventures businessmen is, to quote one of them, "We are Chinese. They Apart from the four deals for them, "We are Chinese. They are Chinese. We understand each other. If an American or a European or even a Japanese in doing husiness with China, husiness with China, and the second sec as the real ones. That slows everything down and helps to Chinese we trust each other ticipation. more and are prepared to work

As much of an experiment for the Chinese as it is for us. We work things out as we go along, instead of trying to find answers to all the questions we do not

Another bonus point for Hong Kong is that it has a number of Special Economic Zones (SEZ) on its doorstep, offering land and labour in abundance and at China tries to bring its appe-tite for modernisation in line any hard-pressed industrialist sweating over skyscraping land prices sit up and take notice.

Agreements have certainly proliferated that it is sometimes difficult reading the official Chinese Press to make sense of the numbers. Thus the China Economic News wrote at the end of April that, by the end of 1980 Guangdong province alone " had signed 6.380 contracts with overseas firms, agreeing to process and assemble orders worth US\$990m using imported equipment which cost US\$67m."

Xinhua, the new China news agency, reported in May that at Shenzhen SEZ, literally just across the border from Hong Kong, 600 projects involving awaiting the green light from Peking—hardly involves China in any foreign exchange commitment as the plant will be paid for by the sale of power council, gave the total investment in joint ventures between the council gave the total investment in joint ventures between the council gave the total investment in joint ventures between the council gave the total investment in joint ventures between the council gave the total investment in joint ventures between the council gave the Chinese and foreign firms as US\$1.65bn at the beginning of However, the biggest advanger projects in equity joint ven-

is doing business with China, dominate the joint deals. Of everything has to be spelled out the 58 equity joint ventures, 36 and the contract compiled to are outside China and are cover all eventualities, the mostly trading corporations highly imaginary ones as well handling Chinese products. Of the equity joint ventures in China itself, all but a handful include Hong Kong par-

The amount of money

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HOW UNIVERSAL WE ARE

7 8 9

* 10 11

Syndicated loans

4 5 1 6

7 8 9

* 0 1 =

Euro currency financing

* 0 =

New issues

the waters. In the equity joint ventures risks as well as profits and losses. So far the Chinese seem pleased with their progress. Separate commentary articles in the Chinese Press have singled out the China Schindler Elevator Company for praise.

Exports

In this venture for making lifts, between 76 to 80 per cent of the products will be sold in China and the rest exported. The Chinese interests have 75 per cent and the remaining 25 per cent is shared by the Swiss and the Hongkong interests, which include Jardines. He Qu noted in China's

Foreign Trade. "The China Schlinder Elevator Company has markedly improved the quality of its products within its six months of operation. Its affiliated elevator works in Beijing (Peking) and Shanghai fulfilled their 1980 quoras one month ahead of schedule."

The Beijing Air Catering Company, a joint venture between the Beijing Civil Avia-tion, Bureau and China Air Catering, run by Dairy Farm, a company owned by Hongkong Land, has also done well. In the China Daily Wen Haiho wrote: "Since it began operating in May, 1980, the airlines which order in-flight meals from the company have increased from two to 14. And the meals, which earn it a good reputation both at home and abroad, have risen from 800 to 2,400 per day. The company made a net profit of 550,000 Yuan by the end of

Contractual joint ventures Peking's fears that it will be tions for Hong Kong in China,

4 5 6

7 8 9

* 0 =

Foreign exchange and deposits

Bullion and foreign currency trading

* 0 ¤

Stock and bond trading

pushing it up to 40 per cent. He described investing in China as: enough. Nevertheless, China has ratio of the products. The life been able to attract big trading of the agreement is normally companies such as Jardine, shorter than the equity joint Matheson, old pre-revolution venture, frequently of three or Shanghai businessmen like Sir five years. China also collects

Yue-Kong Pao and Henry Fok, processing fees most of the 360 and newer industrialists, to test projects agreed, with investment totalling U.S.\$500m, are the two provinces, both the Chinese and the Guangdong and Fujian, closest foreign partners provide capital to Hong Kong. Most of them and management and share are situated in SEZ and most of them have Hong Kong involvement, reflecting the benefits of mutual co-operation

between Hong Kong and China.
The variety of deals is enormous. They include making of shirts, shoes, calculators and cassette tapes, steel containers, a flour will, bus and automobile assembly, rock-crushing and taxi and this services as well as construction services, as well as construction of flats and offices.

Experiences have clearly men mixed. One investor One investor declared: "No one puts money into China to make money Some do it for the postalgic desire to help their homeland and sometimes the home town. Some hope for a political insurance." On the other hand, Alan Lau declared that "China will help me to make money if I help it to make money."

Most industrialists venturing into China have complained about the quality of labour. Workers almost straight from: the fields naturally enough found it hard to turn their hands from the sickle and scythe to implements needing much more precision. Labour is steadily improving, but there is still debate over the need for incentives and over management control. Some fac-tories are still having problems. especially those in areas where the local administration is un-

In Shenzhen a series of inthe Hong Kong company paying partnerships and make money."
The incentive. This gets round

4 5 6

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7 8 9

Long-term corporate financing

8 9

* 0 🖽

Trade financing

hings out as we go along." involved in the equity joint are usually more flexible, landed with costly bonus pay-especially the number of SEZ Alan Lau, head of Millies ventures is still small, US\$300m Normally China supplies sites, ments. China's experiments close at hand: Shenzhen ius Holdings, the Hong Kong company making shoes and leather goods, has 20 per cent of his money invested in China and is impression that some of them money invested in China and is impression that some of them ment and technology. Dividends are to display exercises to see the company provides funds, equipment and technology. Dividends are to display exercises to see the company provides funds, equipment and technology. Dividends are to display exercises to see the company provides funds, equipment and technology. Dividends are to display exercises to see Daily in a commentary recently

> "The phenomenon of indiscriminately doling out bonuses became extremely serious. This not only increased financial expenditures, enlarged the bud-getary deficit and aggravated the problem of rising prices. It also corroded the people's ideology, encouraged a minority of people to "look towards money" hindered internal unity among workers and neighbours, and resulted in the loosening of discipline and disarray in man-

One Hong Kong concern, Novel Enterprises, was pre-pared to cut off the HK\$400,000. a month processing fee paid to China and close down its yarri-spinning mill at Zhuhal near Macao because of r inferior quality and failure to meet production targets.

Advantage

However, Billy K. P. Chao, the chairman of Novel had the advantage of having his mill enterprise billed as a model of compensation trade. He wrote letters to national and provincial leaders complaining, including Li Qiang, the Minister of Foreign Trade and Gu Mu, the Vice Premier. His plan worked. The People's Daily sent a re-porter and made a national Some workers were dismissed and supervisors were paid more. Mr Chao was able to re-open after a month with better quantities and qualities being turned

about deals with China. One banker, who has made a close study of the China trade, said: The first stage of joint ventures is over. This is where a large number of companies I think we are entering a second centives have been worked out stage, where the successful by a number of factories with companies will build proper There are plenty of attrac-

China's experiments close at hand: Shenzhen just across the border. Shekou, the industrial zone at Shenzhen run by China's Hong Kong-based China Merchants Steam Navigation, which has been given wide powers to ensure that administrative delays and red tape are kept to a minimum and where corporate taxes have been set at 10 per cent, below Hong Kong's level. Zhuhai, in Macao's hinterland. Shanton (Swatow) which has nurtured emigrants, among them the most successful Chinese businessmen. particularly offers the wide open spaces and the abundant supplies of water and labour

which are so difficult to obtain in rocky, overcrowded, expen-

sive Hong Kong. Land is being

Encouragement

offered at between HK\$2 to HK\$4 a square foot a year.

China is certainly keen to encourage investment and has especially sought the assistance of "compatriots from Hong Kong." He Qu. in his China's Foreign Trade article, write: "Joint ventures in China are aimed at introducing foreign funds into China, studying advanced technology and scientific management, training our own technical and management staff, improving product quality,. and making China's export commodities competitive in overseas markets." He cited Lenin in favour of seeking foreign non-Communist help and he added: "It is just a beginning. With more experience; and better conditions in days to come, this work will make much headway."

Some prominent people, All in all there is a growing and see more joint ventures and confident mood in Hong Kong increasing co-operation between about deals with China the Colony and China as the basis for the continuing autonomous existence of Hong Kong.

HONG KONG'S RE-EXPORTS OF CHINA ORIGIN.

By principal commodities in USSm

	1977	1978	1979	1980
Clothing	- 44	70	145	- 260
Miscellaneous textile made up article	s`.::74°	10L	145	170
Crude vegetable materials	53	70	23	103
	30	39	53	- 86
articles Cotton fabrics, woven		52		
Vegetables and fruit	43	52	68	70
Textile yarn	. 25	- 61	51	45
All commodities	534	781	1,132	1,687
Re-exports to C		TIRE	\	

	1. S	(U.S.\$)	n) i	· · · -
	1977	1978	1979	1986
Textiles	2	4	. 44	275
Telecommunications and sound record-		الكي الما		
ing and reproduction apparatus		.1 -	- 23	. 89
O1 440	15			
Electrical machinery	* *	· • •	- 5	: 52
Road vehicles	· - 7.	1	21	57
All commodities	38	46	263	933

† Less than U.S.\$0.5m.

HONG KONG'S RE-EXPORTS TO CHINA OF TAIWAN ORIGIN

The Control of the Co		December 9 1980	change 1979/80
Total	• • •	1,205,407	+1,032
Textile yarn, fabrics and made up articles	86,757	715,909	+ 725
Thermionic, cold cathode and photo cathode valves and tubes;	• • • • • • • • • • • • • • • • • • • •		
Television receivers	566 2.312		+4.013
Synthetic fibres suitable for spin-	Nil	66.215	+
Household type, electrical and non-electrical equipment			
Total			+1,032
Crude vegetable materials n.e.s. Other crude minerals Vegetables, roots, and impers.		284,547 16,241	+ 24 + 96
prepared or preserved; n.e.s.	5,275		+ 130
Fruit and outs, fresh and dried Wool and other animal hair	7,970 3,369		+ 43 + 232
Total	279,167	390,540	+ 40
* More than 10,000 per cen	t increase	. † Infinite.	7.

An example of Hong Kong in embryo

MICHELLE MISQUITTA

"WELL FOLKS we are heading back for Hong Kong, so get with a gawking tourists with as your things together and much interest as the tourists are dirty and poor. remember to keep an eye on your wallets and cameras so that they are not stolen. This is Hong Kong now, not China." We were on the way back from Shen Zhen (Shum Chun), just across in China's Guangdong

province. Earlier, on the way to China. the young Chinese-born tour guide had said: "Relax, you are going into China where people are honest." He had casually summed up one of the biggest differences between Hong Kong and China: Hong Kong acquisi tive, greedy to make a fast buck by any means possible; Shen Zhen, China, disciplined, having other values besides, just making money-including the

heavy hand of the state if you are caught stealing. Some people have spoken of Shen Zhen as the future Hong Kong, or Hong Kong in embryo or a satellite for Hong Kong. Shen Zhen is one of the three Special Economic Zones (SEZs) in southern Guangdong

province. Covering over 320 km of the town. This SEZ was set up in May 1980 as one of the areas earmarked by China to attract foreign capital and technology. projects are either being set up or under construction. But for all the proliferation of agreements between Hong Kong and China, Shen Zhen clearly has a long way to go before it even begins to approach Hong Kong's economic position.

Contracts

Once you cross the border at Lo Wu railway station you enter an entirely different world. Shen Zhen is a dusty little town, with mainly low-rise or singlestorey shabby buildings, a world away from the soaring tower blocks of Hong Kong. But there are signs that things are on the move. On the outskirts there is already a tourist hotel with nearly 200 rooms which is to an industrial environment as heavily booked with visitors. Well as specific training. But Factories and other industrial buildings, as well as flats for overseas or Hong Kong Chinese are springing up to give Shen Zhen a cluttered air.

the main form of transport is they have set foot in China.
the bicycle, hundreds of them The China Travel Service spinning out all over the road, runs its own tour but has some carrying two passengers allowed other agencies to run safe to stroll across the street. return for a concession, - nor-The bicycles scatter or wobble mally for three years - the before pedestrians.

of sight, their presence a mute within China (equipment which reminder that this is Communist will become China's at the end China; but most of them seemed of the concession) and the tour off duty. Yet in the narrow backstreets little kids rushed outdoors howing and smiling hello. China Their parents pushed forward. The

the sty ones, chiding them to Features like the Shen Zien; stand still while their photo reservoir are visited but there graphs were taken. One little is no explanation of the sine chap came out wearing a dragon portance of the reservoir as a

much interest as the tourists are dirty and poor.

eye them—as representatives of

Another stop on a different world. Older people are generally clad in the traditional drab black pyjama suits. But the younger genera-tion are bejeaned and T-shirted. A snapshot incident which captured the change stirring Shen Zhen was two girls, dressed in jeans and sneakers like any teenager in Hong Kong but carrying a heavy load slung on a bamboo pole supported on their shoulders in the traditional way.

Deals

Despite open invitations many industrialists are wary of investing too heavily in Shen Zhen. Many of the projects are toedipping exercises. Most deals are compensation trade, in which the foreign partner provides the equipment, which then belongs to China, in return for a share of the profits. If the initial ventures pay off, they will flock in; if not, they will cut

their losses and leave. While the establishment of SEZs shows China is to some extent prepared to learn Western ways, the industrialists find that in labour and management they have to fit in with Chinese rules. Foreign investors do not control the workers or decide the rewards. They are allotted a certain number of workers and have no direct financial transactions with them. Extra cash payments cannot be paid. Some companies have tried to get round this by offering prizes for good work. "A new bicycle or a sewing machine are prized items," said one Shen Zhen investor, "it is remarkable how the Chinese respond to an incentive."

Then there is the problem of the quality of the labour, Workers are often faulted as inexperienced—they are mostly farm workers by origin so it has taken them time to adjust the Chinese are learning fast and labour is much cheaper than in Hong Kong.
One thing that the Chinese

do seem to be learning is how It is a place which is still to extract money for the progetting used to foreign ways, ducts they tout to tourists. The In the town itself the traffic is tours to Shen Zhen billed as "A light; there is the occasional van Day in China" seem very popuor truckload of soldiers. But lar with tourists anxious to say

as well as a load. It is easy and tours on certain terms. In Hong Kong or foreign group Soldiers are hardly ever out supplies coaches and transport operator takes 40 per cent of the profits, the rest going to

The tours are unimaginative.

mask prancing up and down in major water supplied to Hing major water supplied to Hing kong or of the big extension being built. The promised sumptions nine course mealing at the gawking tourists with as

Another stop on the itinesery is a visit to a Chinese department store, which proves to be sadly lacking when compared with the Chinese department. stores in Hong Kong. It is a huge warehouse of a place lined with dusty counters displaying lacquer work, prints, chinaware, linen, etc. all at very high prices. Collectively it offers a dingy cupboard's worth compared to the glittering show-rooms of the Communist-Chinese emporia in Hong Kong. Even the automatic tourist gesture of sending off post-cards is exploited—with poor quality prints offered for postage at three to four times the cost in Hong Kong, But they do arrive

safely. A lot of other activities could be included on the tour to make it more interesting and at the same time informative about the status of Shen Zhen. A tour of a factory, for instance, even if it is at the cost of the visit to the kindergarden, included weekdays. But the tourists still flock to peep behind the Bamboo Curtain, so perhaps the incentive is limited.

Our tour guide was amusing teenager who had left China in his early 'teens to finish schooling in Hong Kong. He was clearly very proud of the progress China had made and considered himself a Chinese; but he prefers Hong Kong because the territory offers more opportunities for someone with his ambitions.

He wants to travel round the world and spend a year each in America, Britain, Australia, France and Italy, But he would not like to settle abroad. He just wants to learn from the advanced industralised countries all that there is to learn and return to Hong Kong-and perhaps one day to China if it offers more freedom for initiative and enterprise.

Key factors

Incentive and initiative are key factors that could make or break Shen Zhen. Without more freedom the place will not flourish.

Some observers point out that if Shen Zhen is a success—based on more capitalist ways—the superiority of socialism could be challenged Already workers in Shen Zhen generally receive higher wages than the average Chinese worker If all the targets for growth are realised Shen Zhen will achieve a level of prosperity that will mark it

out from the rest of China.
Other observers counter that the Chinese know very well what they are doing They are picking up advanced technology on their own terms. Shen Zhen is a border experiment station too far away and too small to rock the rest of China ever happens.

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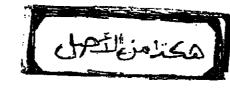
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Hong Kong. In many ways, the biggest place in the world.

Hong Kong is a market worth £11,600 million. Its total imports in 1980 reached £9,304 million and are projected to reach £11,600 million this year.

In 1981, based on the average annual growth rate for the last three years, Britain's total exports to Hong Kong will exceed even those to Japan, and Hong Kong will be Britain's biggest market in Asia.

It's time to take another look at the Hong Kong market.

It's dynamic. And it's growing.

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There are no customs tariffs in Hong Kong and consequently no customs formalities for importing or exporting goods.

It has the third largest container terminal in the world, and the largest in Asia. It also has one of the world's largest computerised air-cargo complexes.

The harbour in Hong Kong is one of the three most perfect natural harbours in the world. And it is on the doorstep of the largest, perhaps most exciting, developing market in the world: China.

The Future

Obviously, there is a tremendous future for British industry in dealing with Hong Kong.

For example, Hong Kong's own airline, Cathay Pacific, has recently placed orders worth £82 million with

Rolls Royce and other British suppliers.

There is a new airport to be built. The present one, although one of the busiest and most efficient in the world, will soon find itself unable to handle the traffic. The new airport could mean up to £592 million in contracts.

A second container complex is planned to back up the already overflowing third largest in the world, and the modernisation and electrification of the Kowloon-Canton railway will involve Hong Kong Government expenditure of some £167 million. Then there's the further extension of Hong Kong's underground railway system. It'll mean £583 million in orders. This is in addition to the £825 million already spent.

There are plans for satellite new towns worth £1,322 million in engineering works, plus £1,849 million in actual construction, a second cross-harbour tunnel is planned, and road system improvements worth £242 million will be completed in the next five years.

What's more, Hong Kong plays an important role in China, where the opportunities for the future are incalculable.

Oil exploration, for instance, is already underway off the South China coast, where Hong Kong is ideally placed as a back-up service and supply base.

Britain is now sharing in Hong Kong's prosperity, but the pace must be maintained. The Hong Kong Trade Development Council is waiting for your enquiries. Contact us at Tel: (01) 930-7955.

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HONG KONG VIII

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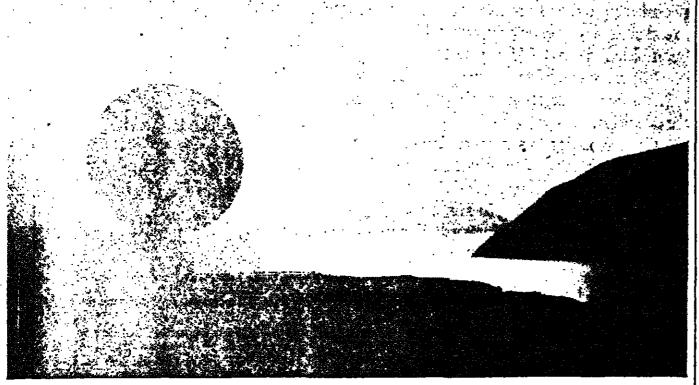
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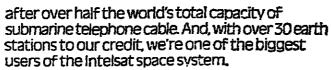


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Key issues require closer attention from Britain

ANGLO-HONG KONG RELATIONS

tive, the main trouble with Anglo-Hong Kong relations is that too few people in Britain appear to realise it is an in-creasingly complex rather than a merely colonial, relationship.
Hong Kong looks for a special relationship in lieu of the independence it can never attain but the pasage of the Nationality Bill has highlighted the fact that it frequently fails to find it. The complexity arises mainly because Hong Kong is much

because Hong Kong is much more than just a very successful colony—in proportion to its size, clearly the most successful of Britain's imperial possessions—it is a financial centre of great regional importance and global influence. Hong Kong's tycoons own or control the third largest marchant shipping fleet which own or control the third largest merchant shipping fleet which, at a recently estimated 30m gross tons, now ranks ahead of Britain's 25.5m gross tons, but behind Japan's 38m and Greece's 36m tons. Furthermore, Hong kong is a vibrant trading hub with a global reach which is with a global reach which is continually expanding. In eco-nomic analyses of the Third World, Hong Kong ranks as one of the "newly industrialised countries" along with South Korea, Taiwan and Singapore.

However, Hong Kong is not "a country" and can never aspire to such status. As an entity, it is a dynamic citystate, and yet it is not even that because, politically, it is a British-administered part of "one China." Therein lies one problem for the Anglo-Hong Kong relationship must rest largely in the hands of "Anglos." Yet there is a lack of communication and understand-

ing which could bode ill for the future sustenance of the overall On the one hand, it is hoped, in Hong Kong that Britain will

take pride in the success story and seek to maintain it. Such hopes were given a severe set-back when the Nationality white paper, before the introduction of the Bill, failed to take any account whatsoever of Hong Kong's unique circum-stances but lumped it instead with other residual colonies awaiting independence. On the other hand, there is Hong Hong's fear that the development of its numerous roles of economic significance is little noticed and insufficiently taken into account by "the Mother

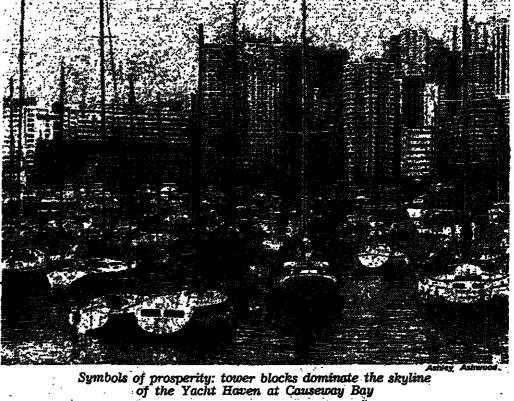
Anxiety

This anxiety has also secured a fresh focus because of the controversy over the Nationality Bill. Even now, with the pass-port of a Hong Kong's version of the single British citizen-ship, Hong Kong's numerous business travellers face irrita-tions, limitations and discrimination. So what will a passport indicating second category citizenship imply? British ministers give assurances that all will be well, but Britain has been unable to fulfil this pledge, even in reto the present Bong Kong British passports which results in considerable inconvenience to its owner where foreign contacts and travel are part of his lifeblood.

Further, the Nationality Bill has struck not only at confidence in the colony's travel documents, but also at Hong Kong's basic confidence. During. his visit to Hong Kong in April Lord Carrington, the Foreign Secretary, reaffirmed Britain's "unchakeable commitment" to Hong Kong, without specifically grappling with the natural fears resulting from Hong Kong's shaken confidence in Britain. "He might have done better to explain why it is that new nationality classifications are necessary in the first place." as one leading businessman put it. "Present laws prevent Hone Kong's 2.6m British subjects from emigrating en masse to the UK so why change the status quo?"

This widespread view underlines the need for Britain to make sure that something special is put into the relationship-and that Hong Kong's Government probably needs to make extra efforts to present Hong Kong's case to Britain. In this regard, it is a positive sign that the second ranking official here. Sir Jack Cater, the Chief Secretary, could become Hong Kong's commissioner in London later this year. His rank and eloquence, it is hoped, will help minimise peglect or disdain for Hong Kong's numerous interests

in Whitehall and Westminster. At least on the all-important level of economics the Anglo-Hong Kong relationship appears to be picking up steam, partly occause, despite all the doubts, Hong Kong retains a strong self-interest in remaining pro-British, During Lord Carring-ron's recent visit letters of intent were signed whereby Britain will supply four 650 megawatt generators for the second stage of China Light and Power's (CLP) new Castle Peak power station. The £550m deal illustrated both sides of the



In this instance, Hong Kong went against its principles of free trade, as China Light and Power did not put the contract to international tender but instead asked the British submit a proposal, the international competitiveness of which was supervised by consultants. to the contract for the first stage of Castle Peak power station. For the second stage, Britain put together a financial package, the last instalments of which will be due in the year 2002, five years after the lease on the New Territories

theoretically expires in 1997. Thus, Britain's Export Credit cent of the total—over twice Guarantee Department has put the exports of British consumer tself in the position of impli- goods. citly assuming that whatever happens on or before 1997. China Light and Power will still be in a position to make repay-Politically, the deal is on a par with Deng Xiaoping, the Chinese leader, assurances to Lord Carrington that investors' hearts should be at ease, in that it increases future hopes, while not ending Hong Kong's basic uncertainties. security for up to 6,000 British

workers for seven years. perhaps be more secure had not British trading interest in Hong Kong suffered something of a relapse during the middle of

the last decade. At the beginning of the 1960s Britain secured a 13 per cent share of Hong Kong's (then very much smaller) imports. By. 1971 this figure was down to 8.5 per cent and five years later, in 1976, a low point of a 4.2 per cent market share was reached, as British traders involved themselves in Europe and paid greater attention to the lure of the oil-rich Middle Eastern

Since then, the decline has been arrested and, while Britain's exports to Hong Kong have not always grown by as much as the total market, they bave shown a healthy rate of expansion. Last year the growth rate was 30 per cent overall, 25 per cent for Britain's exports to Hong Kong, which amounted to HK\$ 5.456m out of a total import of HK\$ 111,651m, or 4.9 per cent, leaving Britain in its long-held sixth position as a supplier behind Japan, China, the U.S., Taiwan, and Singapore.

Britain's improving export-record in Hong Kong is, how-ever, better illustrated by omit-ting re-exports and considering only Hong Kong's retained imports. By this reckoning the British market share has in-creased from 5 per cent in 1977 to 5.4 per cent in 1978, 6 per cent in 1979, and 6.1 per cent in 1980. These growth rates together represented an increase of 174 per cent in sterling value terms.

(\$)

4.500

18.000

(0.3%)

2,550

(3.5%)

(15.0%)

13.750

Status/income

36,000

60.000

120,000

income (\$)

Single (annual

the gap has almost closed between what is bought by the 5m people of Hong Kong from Britain and what is purchased by 110m Japanese. Last year, British exports to Japan were only £36m more than those to Hong Kong (the difference was floor kong (the difference was flsom in 1978) and some sources expect Hong Kong will become Britain's most valuable export market in East and South-East Asia in 1981. The largest single item in that export trade remains British exports of earlital goods which exports of capital goods, which last year accounted for 43 per cent of the total - over twice

Competition -

Electric generators are not the only field in which Britain has a decided advantage. Hong Kong's ever-growing demand for sturdier, more technologically advanced, double-decker buses is effectively a British mono-poly since the Government-controlled bus companies are regulated to buy from the Common-wealth. Some sources aver there was a "political" element in the soon-to-be electrified Kow-loon-Canton railway. Renewed ship purchases by Hong Kong's shipping magnates have led to several orders being placed in

British yards.
Thus there are good grounds for arguing that Hong Kong has been, and is, heeding the words of John Nott, then Trade Secreearly in 1980: "If Hong Kong wants Britain to fight for them around the world, they have just got to take more of our

No offence is taken in Hong Kong by such business-like bluntness but what is gnawing away at the foundations of the Anglo-Hong Kong relationship is the British tendency to stress that Hong Kong should pull its weight when, in Hong Kong's eyes, Britain is over-concerned with its own wants and insufficiently sensitive to the Colony's preferences. Put another way, were there a British Ambassahave had a fough presentational job in the last couple of years. Kong not the anomaly that it is, there would be no lack of the kind of grievances which else-

Hong Kong sees little if any sign of Britain fighting at all, let alone around the world, for its interests in the new Multi-Fibre Arrangement (MFA), governing the textile trade. Rather the "temporary" restric-

(HK\$12.50=

12.843

(2L4%)

(13.2%)

(18.8%)

27.956

40,706

(25.1%)

TAX COMPARISONS

S\$1)

6.337

22.937

8.332

(11.6%)

22.137

36,287

(22.3%)

These comparisons do not include such compulsory levies as the UK national insurance contribution, payroll tax in Singa-

pore, and capital gains taxes in the UK and Malaysia. † After

in parentheses are the effective rates of tax.

proposed increases in personal allowances. Percentage figures

Tax pavable in:

Malaysia

RI)

31.072

11,147

(15.5%)

29,222

(24.4%)

A more graphic indication of tions first imposed by Britain to the special trading relationship give Lancashire a "breathing is that in the last three years space" in 1959 look ever more MFA, there seems to be little British-inspired recognition by EEC that what newly industrialised countries like Hong Kong tend to lose in terms of quotas, the developed, rather than the developing, textile industries tend to gain.

Hong Kong might like to register its tonnage at home, but London denies the Colony a separate shipping register, a decision which does nothing for British employment, but cer-tainly improves the balance of payments positions of Liberia and Panama.

British products maintain their hold in this market in part because so many of Hong Kong's and were trained in Britain, but, while the Union Jack continues to fly over Hong Kong, Hong Kong's students in search o expertise are now treated in Britain as foreign students—

academies. Hong Kong's one airline appears to be the last to secure British approval for flying rights on potentially lucrative routes
—with Cathay Pacific alone scurity for up to 6,000 British. Was a political element in on politically locative locations workers for seven years. The choice of Metro-Cammel's —with Cathay Pacific alone of More British jobs would competitive bidding for the getting the right to London perhaps be more secure had not passenger coaches for Hong after strong pressure was explicitly trading interest in Hong Kong's two underground rails. ture is likely nov that Laker Airways has secured British approval for the trans-Pacific route.

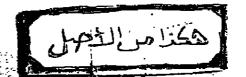
> This brief summary of some of Hong Kong's pet complaints fades into insignificance compared with the impact of the British nationality changes, which strikes at the Anglo-Hong Kong partnership in ways too tary, when he visited Hong Kong numerous to mention. At one level, there is the personal offence given by British politicians who even question the right of leading Hong Kong personalities to be understandably aggrieved at what has been a unilateral British dispensa-

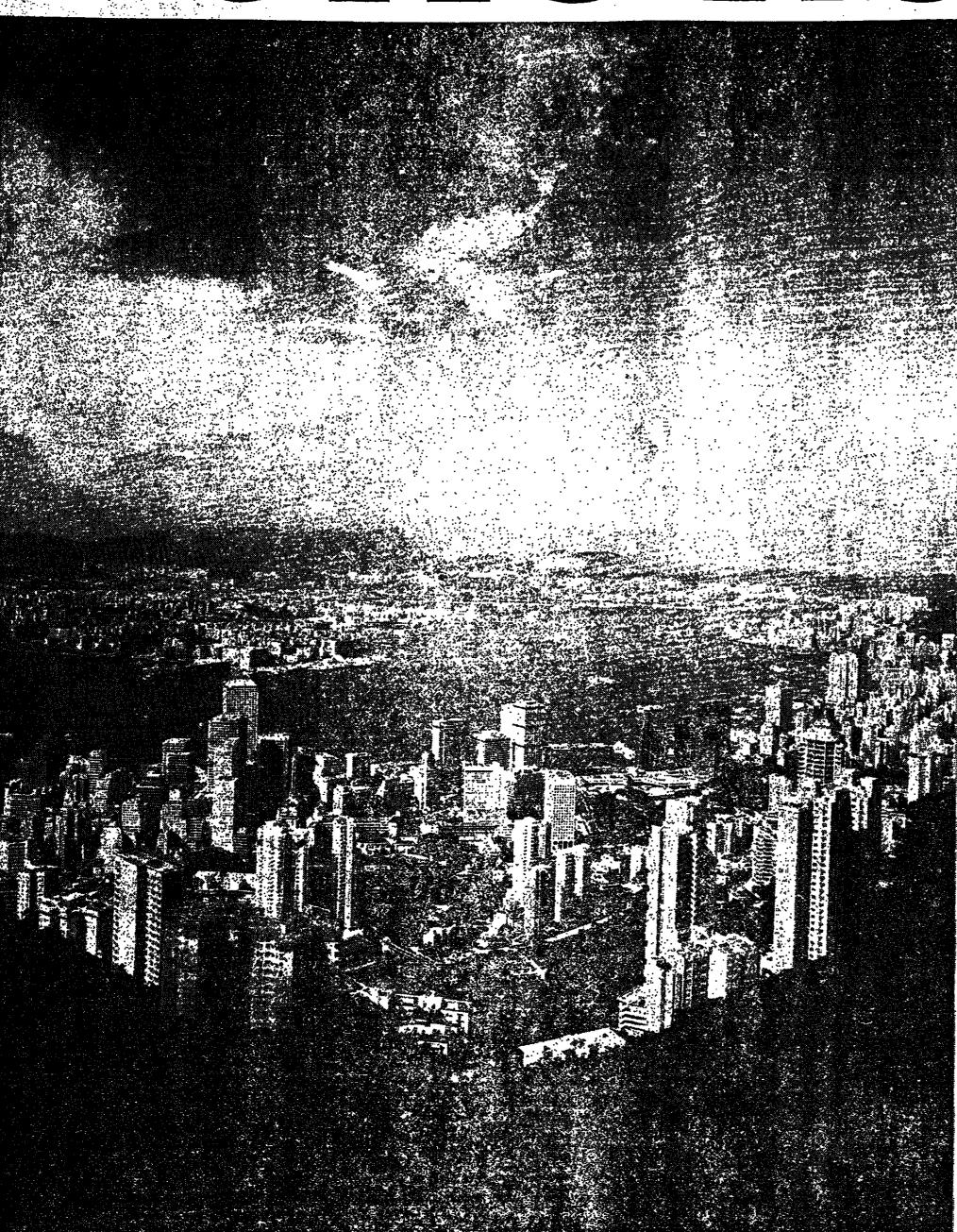
Emotional issue Another aspect of

emotions aroused by the Nationality Bill lies in the fact that Hong Kong's Chinese servants of the Crown were only given the possible right to firstclass British citizenship through an amendment to the original bill, after strong and sustained representations had been made. however, no consideration has been given to the many Chinese families who, although they are a small percentage of the 2.6m Hong Kong British subjects, have been British in all but race for generations and who now face the prespect of meaningless one-generation British Overseas Citizenship should there be any change in Hong Kong's dependent territory status. Above all, the damage done to the Anglo-Hong Kong relationship by changes in the Nationality Bill lies in the insensitive way the whole issue has been handled, given the insecurity over Hong Kong's long term future.

This point can best be illustrated by comparison with Hong Kong's sister city-state, Singapore. Even Singapore's leaders, whose nation has a far firmer grip on political longevity than Hong Kong can ever expect, have seen fit to ever expect, have seen fit to reassure their people against the fear that they, too, might become "boat people" in the future. At a time when Hong Kong has hosted 60 times the number of Vietnamese refugees taken in by Singapore. the cumulative effect of uncertainty over the New Territories lease, and over citizenship status for half of Hong Kong's residents, has naturally left fears of a "boat people" destiny in not a few Hong Kong

minds. Hong Kong's future stability requires closer British attention to the complexities of the insufficiently "special" Angio-Hong Kong relationship, and perhaps a little more pro-Hong Kong feelings as well.





Buyers over the world recognise that Hong Kong is manufacturing a wide variety of high quality, competitively priced products. However to most European buyers, time means money, and to travel 7,000 miles on a buying trip to Hong Kong often means weeks away from their business. The Hong Kong Trade Development Council offers overseas businessmen a wide selection of venues in Europe where they can see special "Made in Hong Kong" product displays. These include Hong Kong product exhibitions at leading trade fairs and specialized business group visits to major cities throughout Europe. During 1981/82 you can see over 30 Hong Kong product displays in Germany, France, Italy, Austria, Switzerland, Denmark, Sweden, Netherlands and England. The H.K.T.D.C. has 25 offices throughout the world — 13 in Europe — to help you find the right business contacts in Hong Kong. For more information on product displays and the complete range of services available to you contact the H.K.T.D.C. office nearest you. The service is free — the business unlimited.

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Huge trade deficit a worrying factor

LINKS WITH

CHARLES SMITH

FEW BILATERAL relationships between major trading nations are as unbalanced as that between Hong Kong and Japan. British Colony bought HK\$25.6bn worth of goods from Japan and exported re-exported — HK\$4.5bn worth of goods in return. The HK\$21.1bn trade deficit was 50 per cent larger affian Hong Kong's overall trade deficit with the outside world —in other words Hong Kong Twould have been in comfortable Coverall surplus but for its striking failure to balance its ≘trade with Japan.

Even from the Japanese viewpoint the trade gap with Hong Kong seems spectacularly large. It was marginally smaller than the Japan-U.S. trade gap in 1980 and bigger than any of the other —far more highly publicised— shelves f the shops surpluses that Japan has been to the tourists who running with major industrial ing into the Colony.

reversal of last year's decline in exports. But the deficit is not about to go away and it has reached proportions where even the free trading business-men of Hong Kong seem to be starting to worry.

Hong Kong's concern about

its Japanese trade imbalance is not in any way comparable to the kind of worries being felt in Western Europe and the Japanese export penetration. Hong Kong has few major industries that are liable to be threatened by imports from Japan and at least one industry textiles — heavily dependent on imports of Japanese raw materials and semi-finished products for the maintenance of its competitive position in

Other Japanese imports such as cars, TV sets and digital clocks go to fill gaps in Hong Kong's own industrial production capacity or to stock the shelves f the shops which sell to the tourists who come flock-

world markets.

Hong Kong appears to have sary ingredient in Hong, Kong's made modest progress towards economic structure rather than improving the position during as the intrusive element it the early months of 1981 with appears to have become for many Western industrial coun-

Unsuccessful

Hong Kong's worries about Japanese trade derive from the fact that the Colony has been resoundingly unsuccessful in boosting its exports to Japan and from the fact that western nations could all too easily be tempted to see the unbalanced trade relationship with Japan as part of a three-cornered imbalance between themselves Japan and Hong Kong. This might be held to justify further barriers against Hong Kong exports to the West. In order to deal with the first problem the Colony has mounted a series export promotion efforts including the establishment of a Hong Kong Japan Business Co-operation Committee which has met periodically over the three years to consider ways in which Japan could be persuaded or enabled to buy more Hong Kong goods.

The second problem could be

Kong's Director of Trade and been one of the tasks of the Industry, Mr. Bill Dorward - Hong Kong Japan Business slightly greater effort than they there are tentative signs that of the Hong Kong fabric mar- pay off. A four-fold increase ket, reportedly the largest in in Japanese investment enthe world from the Japanese quiries to the Trade and exporters who have dominated it for the past decade. So far. there seems little evidence of any concerted effort by the West to gain a share of this market although

group of British companies including Courtaulds, Tootal the Hong Kong Trade Develop-and Viyella are reported to be ment Council which already studying the problem. The mystery of Hong Kong's Osaka. Japanese market for imported clothing when its manufacturers have proved themselves over-

whelmingly competitive in Western markets is one that has angles during the past five years, but to which no one clear answer has yet emerged. One point seems to be that Hong Kong is a middle range garment manufacturer, so far as price and quality is concerned, and therefore, finds itself competing head on with Japan's middle level garment industry, unlike more successful exporters such as Taiwan and Korea which

ave cultivated the bottom end

of the Japanese market. A second widely touted ex-planation for the Colony's lack of success is the relative lack of Japanese industrial investment in Hong Kong. Japan, in fact ranked second after the amongst direct foreign investors in the Colony with HK\$ 556m worth of manufacturing investment at June 30, 1980, or 22.6 per cent of the total This, however, represents a considerably more modest stake than Japan's overwhelming investment presence in other Far Eastern new industrial countries such as Korea, Taiwan and Singapore.

Hong Kong has partly itself to blame for the fact that Japanese investment in the Territory has not grown as rapidly as it has elsewhere in East Asia. Hong Kong made no special effort to attract overseas investment until the very

by European and U.S. textile Co-operation Committee, and of fabric manufacturers making a its Japanese counterpart, and have so far done to wrest part these efforts may be starting to

Industry Department during 1980 was one such indicator. Towards the end of 1980, Tokyo will become the first city to boast a Hong Kong investment promotion office, working alongside but separately from, maintains offices in Tokyo and

Apart from natural factors which may or may not have assisted its exports to Japan, Hong Kong can cite one artificial problem which has very definitely obstructed it. When Japan studied from various introduced its system of during the past five years, generalised tariff preferences on imports of manufactured goods from developing countries in the early 1970s Hong Kong was denied preferences on 96 items on the grounds that its exports were "too competitive."

Pared down

By 1980 the original list of 96 items had been pared down to seven, which however still accounted for 10 per cent of the Colony's total exports to Japan in that year, and in April mum allowed in Japan: 1981, when Japan introduced a ... Japanese trading companies list was cut further to five. The five items still contain at least two, travel goods and

to competitive." The colony might have been able to apply more leverage on Japan for the removal of the GSP exclusions if Japanese exporters had any reason to fear barriers against their exports to Hong Kong. Hong Kong differs from Western industrial nations and

Seen from Japan, Hong Kong

is not only an important market for textile fabrics and manufactured consumer goods - I .also ranks as a major offshore business base for banks, trading companies and securities houses There are about 8,000 Japanese residents in Hong Kong today. slightly fewer than the number of resident Americans, and the four largest Japanese trading companies each occupies a floor of the 48-storey Connaugh:

According to one of the big four traders Hong Kong ranks third in Importance amongst its overseas operations after New York and London chiefly because of "third country." trade rather than because of two-way Hong Kong-Japan trade — which accounts for only 25 per cent of the company's Hong Kong turnover...

Hong Kong is a useful base for offshore trade since it lies almost exactly half way between Japan and south east Asia and since its economic system permits many transactions which could not be carried out in Japan itself.

The Hong Kong subsidiary of a big Japanese trader can, for example, make advance payments of two years or more on timber purchases from Indonesia or the Philippines, where

revised preference system, the and banks are interested in Hong Kong as a jumping off neighbouring Kwangchow proartificial jewellery, which are vince—to the extent that one of potential importance in Hong Hong Kong official complains Hong Kong official complains Kong-Japan trade, and Japan that his Japanese counterparts appears to be able to cite little seem to be trying to turn the justification for maintaining the Japan-Hong Kong Business Coexclusions other than the fact operation Committee into a that in the past Hong Kong was Japan-China Business Co-opera tion committee. One trading company says that only one in ten of the business propositions Colony turn out to be viable. But Japanese companies have become partners in a number of But successful ventures across the border including a property development in Canton (Sumineighbouring new industrial fomo Corporation) and assembly nations such as Taiwan and of tape recorders and radios

Record order book for capital goods

POTENTIAL FOR UK EXPORTS

LEIGH JACKSON

economy, offers greater market potential for UK experts than ever before both in terms of growth and in opportunities for market penetration, comments Lord Limerick, chairman of the British Overseas Trade Board. Hong Kong is now the UK's second largest market in Asia and exports in 1980 were valued. at £559.4m; 26.5 per cent higher than in 1979. This increase reflects the substantial growth in-Hong Kong's total imports which rose by 30 per cent last year he adds.

Britain is sixth in the list of Hong Kong's suppliers, with 43 per cent of the market. UK experts, in sterling terms, have increased by almost 120 per cent in the last three years.

Lord Limerick points out that the UK order book for capital goods in Hong Kong has never been so great, presently stand-ing at £1.4bn; Metro Cammell has supplied the rolling stock for the mass transit system and Kowloon-Canton railways and a letter of intent has been re-International for the new Castle -year and UK interest in future Peak power station.

"Deliveries of capital equipment to Hong Kong in 1981 are likely to be a record and 1981-83 will bring substantial opportunities for new major projects business in the Territory as infrastructure development rapidly proceeds;" he says. "Nevertheless, Britain's exfrastructure

port success story need not end in the capital goods sector. Tremendous potential exists in a number of fields within the raw materials and semi-manufactures sector consisting 43 per cent of Hong Kong's total imports; imports of fabrics and yarn alone accounted for HK\$13,559m (£1bn) in 1980." Other areas ripe for develop-

ment occur in Hong Kong's tremely attractive thriving electronics industry to UK exporters.



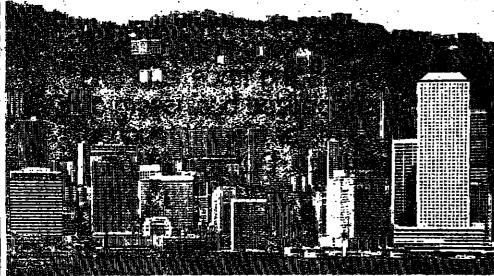
Lord Limerick, chairman o the British Overseas Trade

equipment) and in the colony's tourist industry where luxury consumer goods play such a vital role in attracting tourist business. Last year, 23m tourists outlaid HK\$3,584m In recent years the British Overseas Trade Board (BOTB) has sponsored many trade mis-

The BOTB provides a range of services to UK exporters wishing to penetrate the Hong port Market-Research Scheme. lioint venture scheme also extors at selected trade fairs and exhibitions

Lord Limerick emphasises that Hong Kong is an important trading partner for Britain— "her stable economy free of import controls and tariffs, plus her well-established British business community, which is governed by British-style law and uses English as its business

If you want to talk about Hong Kong, talk to the Hong Kong people in London.



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Tighter regulations reduce the flow neasures have stemmed the allow them to see for 160 yards quently grant are a bit long for right hand side of the road to flow. In 1980 illegal immigrants or more 5. There is no need to ap: ordinary holidaymaker or acknowledge that it was in China

- ILLEGAL **IMMIGRANTS** MICHELLE MISQUITTA

illegal China has dropped dramatically in the past few months because of new strict Government measures introduced in October. In 1979 and 1980, more than 80,000 illegal immigrants entered Hong Kong each year, but the flood has

because, by the very nature of being illegal, these immigrants do not stand up and declare themselves, still less now since Before October 23 1980, the

dried to a trickle.

olicy was that any illegal mmigrant caught in the border regions was handed back to China. However, anyone who crossed and evaded porder security patrols to touch base" in the urban areas could freely become a legitimate Hong Kong resident if he reported himself to the police, was registered and given him or her to live and work in Hong Kong.

However, this generosity was swelling the local population by up to 150,000 a year—taking into immigrants—social services and especially the housing pro-gramme were being set back. With the additional influx of Vietnamese refugees in their leaky boats, Hong Kong was becoming a refugee haven. The intruders were distorting policies and diluting Hong Kong's economic progress.

Identity cards

So the authorities stepped in October 23, Hong Kong residents must at all times carry their identity (ID) cards, that employers must keep ready for inspection records of their employees names and type and number of identity document. Any illegal caught at any time in any place would be re-

The Pol-Mil special antillegal immigrant unit at police headquarters has been especially vigilant making surprise checks on citizens and factories. Employers engaging illegal immigrants can be fined up to HK\$50,000 (£4.400) and given a year's imprisonment. Members of the public who do not carry proof of identity can ID card), current driving licence or a valid travel document—as they are legally obliged tomay be fined HK\$1,000 (£88).

He cannot move freely. Even if. he has friends who shelter him he must live in fear of being commented one betrayed," commented one official. For someone who has escaped from China, freedom in Hong Kong is a dangerous

hunted man. He cannot work,

The illegal immigrant is a

officials hoped for captures on a rough "one to one" basis. For every person caught there would be one who escaped the border net and, given the relatively liberal touch base policy, who would-though illegal-be allowed to make his home in Hong Kong. Now the capture escapes. As word of the new It is difficult to be exact strict policy filtered through to China the number of arrivals

At various times there were surges of arrivals as Chinese rumours of a new amnesty circulated. But Sir Jack Cater, Hong Kong's Chief Secretary, firmly ruled out such hopes This year up to and including May 24, the relatively small immigrants were sent back.

China also appears to have benefited from the restrictions, according to Chinese sources. Some communes had their workforce reduced to 30 per cent because of the exodus to Hong Kong, which at its height involved 3,500 people a day (including the unsuccessful attempts stopped on the Chinese

On China's part the vigilance of the security has depended on whether the People's Liberation Army has had more pressing

are Chinese who cannot resist pared for the reality. the lure of the bright lights of Hong Kong and who are prehunted down. It is a stiff difficult. It means climbing hills or swimming or wading across the sometimes shark infested bays. Additionally there are the patrols on either side, and on the Hong Kong side there is a tall wire fence.

This fence has been erected to across most of the 22 mile border, cutting through the hills and paralleling the banks of the watchtowers at regular intervals and patrols looking for disturbances and listening keenly for noises. The 15 ft fence is not a Berlin Wall. Some soldiers reckon a skilled operator could cut and break his way through

or scramble over in 30 seconds. On the Hong Kong side, land border patrols are left to British Army soldiers, the Gurkhas and British regiments on rotationcurrently the Queen's Own Highlanders. The parrols wait in hideouts ready to pounce on anyone who gets through. 'At night, which provides the cover for most attempts to enter

were being repatriated to China, use weapons, and on the whole at a rate of nearly 7,000 a the Chinese do not try to put month. This meant that illegals up a fight. "Often they are allowed to stay were adding to cold and miserable having spent the population by at least 7,000 a night in the open and are month. By 1980 border glad to come into the warm," some of the soldiers said. They are handed over to the police, questioned and then repatriated,

At sea, the Royal Navy and marine police patrol the seas to apprehend the boats that come across. In the air the RAF, Army and Royal Auxiliary Air Force carry out daily patrols.

Cross by land

The amount of activity on the border varies at different times of the year. In the winter there are more attempts months many take a chance on swimming across or going by boat. Favourable winds that hlow the junks towards Hong Kong are also taken advantage

It is easy to see why Hong Kong is such an attraction. All over Guangdong : Province, as far as Guangzhou (Canton) television aerials are craned in the direction of Hong Kong to capture its night-time fantasy world of Chinese opera and western serials. On a clear night the lights of Hong Kong can be clearly seen, winking and beckoning across the bay.

Most of the Chinese who try the People's Liberation to sneak through are young and has had more pressing fit and in the 16 to 25 age At times of tension bracket Many have relatives in soldiers have been withdrawn Hong Kong. They don't believe from the Hong Kong border in the new tough measures or But this year China has stepped think they will be able to find up security because of concern a way round them. The Hong about smuggling from Hong Kong of their imagining is a Kong to Guangdong. paradise, where every want is However, even today there fulfilled. They turn up unpre-

There have been bad consequences. A number pared to risk capture and being illegals caught recently this hunted down. It is a stiff year in the urban area have obstacle course. The terrain is been found with weapons, recently estimated that 35 to 45 per cent of the crime in the illegal immigrants who were allowed to stay.

A forged ID card sells for up

HK\$30,000. The authorities have promise they will change the card and make it more difficult to forge, which at the same time will render bogus cards obsolete and a waste of

The reduction in the numbers of illegals has led to demands that the Government curb the numbers of legal immigrants from China. This year for the time for years, legal als — probably around 55.000 or more-will outnumber illegals. These legal immigrants are people who come across at the official border crossing with papers approved by China. Many of them do not go back to China but keep applying for extensions on their stay. So far the Hong Kong authorities have been gentle in their approach, Hong Kong, they use might-suggesting that the periods of a time viewing devices which year which the Chinese fre-

even someone visiting a relative: and disappeared behind the Up on the border at Man Kam trees. After a while the two to a forlorn little scene was trucks came back across the played out. At 15:30 precisely; bridge, leaving behind ofheir a procession of two trucks by a cocupants, those Chinese who Hong Kong police jeep rolled up did not quite make it to the to the bridge dividing Hong free world of Hong Kong. A Kong from China. It stopped British soldier stationed at the midway while guards signed and border post reckoned some of exchanged papers, moved to the them might be back tomorrow.



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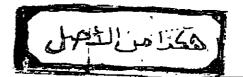


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Mediu



Profile on Miss Lydia Dunn who has the reputation of being the most distinguished businesswoman in Hong Kong

EMPLOYMENT AND ESTABLISHMENTS Total labour force 1977 1978 1979 Employment in: 2,058 2,190 1,951 Manufacturing Wholesale and retail, import and export trades Restaurants and hotels Civil services Average nominal daily wage index for manufac turing workers (including fringe benefits) + ... 73-74=100 Unemployment rate Total manufacturing establishments ... 4.6 4.1 2.7 3.4 4.3 36,303 37,568 39,606 42,282 45,409 269 339 386 427 460 1,859 1,979 2,106 2,301 2,548 Factories with overseas investments Overseas investments in manufacturing industries Companies registered: 43,877 49,896 57,945 67,429 81,206 942 1,009 1,131 1,269 1,398 Average daily wage (including fringe benefits) for manufacturing workers in September 1980=

Big challenge facing manufacturers

UPGRADING INDUSTRY

KEVIN RAFFERTY

HONG KONG'S great economic growth has been based on exports, and exports of manufacgoods have traditionally the backbone of that growth. But now in the 1980s doubts have begun to creep in. The contribution of manufac-turing to Gross Domestic Produet has fallen from 30 per cent to ust over 25 per cent. There are worries that growth in services, especially in the increasing international financial role of Hong Kong, may make manufacturing less attractive. Higher land prices could make

Milton Friedman's ringing pasan of Hong Kong praised its lassez faire attitudes: "Hong King has no tariffs or other retraints on international tride (excepting a few "volun-tay restraints" imposed by the U.s. and some other major contries). It has no government direction of economic activity, no minimum wage laws, no fixing of prices. The residents are free to buy from whom they wint, to sell to whom they want, hire whom they want, to work for whom they want.

"Government plays an important role in that it is limited primarily to duties interpreted rather narrowly. It enforces law and order, provides a means for formulating the rules of conduct, adjudicates disputes, facilitates transportation and communication, and supervises the issuance of currency. It has provided public housing for refugees arriving from China. Though Government spending has grown as the economy has grown, it remains among the lowest in the world as a fraction of the income of the people. As a result, low taxes preserve Businessmen can reap the benefits of their sucs, but must also bear the osts of their mistakes."

Flexibility

The statement sums up Hong Kong as it has always been: The place for the small man, the quick, the flexible, alive to world market trends and even fads, able to go anywhere and sell—and, if there is no profit, get out and go somewhere else and sell something else. But in the last few years this ability and flexibility has come under challenge. The question is whether Hong Kong can stand the pace or whether it needs more government propping.

The greatest challenge is after all political. Hong Kong may be skilled at producing and selling goods the world wants — but increasingly governments in the industrialised countries imposed restrictions to

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have becoming bitter again over a the pressure of rising wages renewal of the multifibre arrangements (MFA). These are the other. This is the challenge crucial to Hong Kong as textiles of the 1980s." and clothing accounts for more than 40 per cent of exports and

of manufacturing employment. Kong that all the evidence is that other factors than developing country exports are respon-sible for damage to Western texplied by developing countries is small. The U.S. consumption of textile and clothing between 1974 to 1979 was largely of U.S. made goods: 87.3 per cent of all the textiles and clothing bought by Americans was made in the U.S.—12.7 per cent was foreign made—and only 1.5 per cent was made in Hong Kong All developing countries together in 1977 accounted for less than a quarter of the world exports and also less than a quarter of developed country imports of textiles and clothing products. The rest-three-quarters-was almost exclusively production and trade by the rich countries.

Competition

The rich countries, and especially the U.S. which has streamlined and automated its textile industry, have been able to fill the gap left by curbs on Hong Kong and other develop-ing countries. Technical innovation and competition from other industrial countries have cost textile jobs rather than imports from developing countries.

Although it is a consolation to feel that it has right on its side, it does not help Hong Kong industry when it has no might on its side to save its textile and clothing industry from being squeezed. Much of the industry has been able to survive through upgrading its quality and making up in value what it has suffered in volume. areas of the spinning and weaving industry today are not com-Hong Kong has only been able to meet just over 35 per cent of its quotas. Indeed in spinning and weaving some Hong Kong trade specialists say that the colony should be glad of the restrictions of the MFA-otherwise it would be smashed by other more competitive developing countries freed from restric-

In clothing and garments having small family based com-there has been a steady upward panies, the pre-occupation of trend in quality but Hong Kong's production remains very mixed and there are still doubts if the manufacturers can continue to gain in value what they

Other areas of manufacturing Industry are also vulnerable. Dr J. C. Wright, executive director of the Hong Kong produc-tivity council, summarised some of the problems: "We are now caught between the needs to quote competitive prices, diversify the range of manufactures Hong Kong exports. and improve quality on the one

started hand, shortage of space, and

Hong Kong's manufacturing industry and its growth has been remarkably concentrated It is some consolation to Hong and himited to a small number of sectors of light manufactur-About 67 per cent of the total industrial workforce is employed in textiles, clothing, electile and clothing industries. For tronics, plastics, toys and a start the share of goods sup-watches and clock making. industries together account for more than 70 per cent of total domestic exports. Dependence on the exports of the main product groups has risen from below 60 per cent

Moreover, the highly competitive system has encouraged spurts of growth by small enterprises rather than a concentrated approach on a broad, well-founded field. Even the names of the Hong Kong companies suggest the determination and brashness of their approach: Determined Products, Beautiful Enterprise Canny Manufacturers, Golden Electronics. Best Electronics. . .

Hong Kong has a huge total of nearly 45,500 manufacturing establishments and 90 per cent of them employ 50 workers or fewer. In this way it is pos-sible to open a plant on a low capital base, even using a single room, close one product line and begin another to capture the latest fashion or fad and even to close down completely many broken hearts.

Rapid pace

But their markets and methods of operation mean that Hong Kong manufacturers have to move ever faster to stay in the same place. And there are signs that some sections of industry may not be fit enough to compete in a more sophistibe seen from some of the industry profits, many Hong petitive and in some categories. Kong companies are dependent on a role as suppliers to big international houses who put their own brand names to products made in the British colony. This leaves the Hong Kong companies at the mercy of a middle man, and they have to keep costs down and improve quality constantly or be left behind.

Chinese tradition of panies, the pre-occupation of the Stock Market with property companies which are regarded as the glamour stocks, means that industrial companies have tended to stay small and private and with a low technical base They have to be in effect quick sprinting copycats to stay ahead of their rivals in other newly industrialising countries (NICs). But other countries in the region are putting more into technical development and are doing it under government umbrellas.

This was noted by a Hong Kong official committee on diversification which com-mented at the end of 1979: We have found that the serious inadequacy of industrial support facilities and technical backup facilities as well as the absence of a programme of applied research have limited the speed with which manufacturers have been able to

diversify."
It called for more official support including a technical and technological information service. There might be a need for an industrial development bank and for training schemes to be paid for from public funds. The report has been accepted by the Government but in the field of industry the main recommendations are yet to be implemented. One prob-lem would be that the more help that is given, the more laissez faire, and particularly labour mobility, would be undermined.

For the moment Hong Kong industrialists generally think that they have the advantage in most light industrial fields over rival NICs. In synthetic yarns and fabrics South Korea is ahead and in electronics Taiwan is becoming competitive thanks to investment by multinations which impose their own high standards and systems. But one of the real tests of how far Hong Kong has still to go to be a high quality producer is to see how much its companies sell to Japan. With a trade deficit running 10-1 in favour of Japan, there is a whole story of quality to tell: Japan sells the parts for Hong Kong to make up but buys back few of the products.

Forceful advocate for textile industry

It has begun to promote a brand name of its own in New York of the Hongs, and last month stores. Under the label Lin-Yu was made a director of the (Lily) it is selling women's silks and leather products which show a strong oriental influence. By doing this, the Hong Kong company can push up the value of its products by about 30 per as to Miss Dunn. cent-Miss Dunn was coy about disclosing the actual figuresand thus try to offset the damage done by quota restric-tions on clothing.

Hong Kong's textile and

clothing industry is being by restrictions to improve the quality of its products. In the last four years in spite of restrictions on volume exports to most of the industrialised world, its exports of clothing and garments rose from \$HK13.9bn in 1977 to \$HK23.3bn last year. But the curbs have had an effect: the share of clothing and garments in total exports fell from 39.7 per cent in 1977 to 34.1 per cent last year.

Miss Dunn says that the higher quality Hong Kong clothing products have done much better—from restrictions, from recession and from the challenge from other low-cost producers. "In times of recession. fashion tends to keep its place as people look for quality and for garments which will last."

Besides being managing director of Swire and Maclaine, Miss Dunn has a reputation of being probably the most distinbusinesswoman in Hong Kong and certainly the most forceful advocate for its textile and clothing industry.

In spite of her apparently English name, she is Chinese. The name is a corruption of Tang or Deng was was spelt

MISS LYDIA DUNN's company, family moved to Hong Kong Hong Kong to set its own Swire and Maclaine, has taken from China. This year she was designs and standards and to a big step forward to boost its appointed to the main Hong put its own labels in-like earnings from clothing exports. Kong board of the Swire group. Lin-Yu. There are probably the most conservatively British was made a director of the Hongkong and Shanghai Banking Corporation, the first ever

Restrictions

She has proved an articulate presenter of Hong Kong's case against the quotas which she says "are more political than economic." Very often the benefits accrue not to the ailing textile industries of countries imposing the restrictions, but to lean and efficient industries of other already rich countries which move in where Hong Kong and developing countries are barred. "Developing countries need to take a unified stand to lessen the damage."

Miss Dunn places Hong Kong

at the top of the list of newly industrialising countries as far as quality is concerned. Though Singapore, Taiwan and South Korea are upgrading, she believes that the gap between them and Hong Kong will be maintained. The world's top fashion houses, like Yves St Laurent, Christian Dior, have some of their clothes produced in Hong Kong, with the line generally split between factories. In addition, big European department stores and mail order concerns have long had much of their production

The routine is that the factory turns out the goods to the foreign design and specifications and then the department store stitches its own label in. What is a relatively new and potenthat way in English when her tially valuable departure is for line and co-ordinated range of a small part of production and

done in the colony.

tens, though not yet hundreds. of Hong Kong designers capable of appealing to the international

But Hong Kong has to be careful to know where it is heading. "We would be kidding ourselves to say that we were going to be the next Paris." says Miss Dunn, "We will not be able to live on high fashion. We aim for advanced lines of fashion but not high fashion, so that Hong Kong can fill a gap between the top European houses and the Taiwans and

She believes that there is plenty of potential, both in men's and women's wear. But Hong Kong still has a long way to go. Miss Dunn estimates that the higher quality end of Hong Kong's textile and production accounts for between 15 and 20 per cent of exports at the moment, Finding a niche in the middle range calls for new techniques and skills, especially in production and marketing.

It means aiming at the high quality department stores and boutiques, between the couture market on the one hand and the cheap cut price stores on the other. But this means that production must be smaller than in telephone numbers" as Miss Dunn puts it. Quality store buyers tend to buy in smaller numbers and more frequently, or more to the value of a so that imposes its own discip-

But more than the production line is involved. It means understanding and being able to interpret fashion, to realise the colour of the season and how moment. It means designing a forward would be to set aside



Miss Lydia Dunn — an articulate presenter of Hong Kong's case against quotas

alone can add, or subtract if it is done badly, 20 per cent product.

garments which will blend to-gether. It means attention to the quality market. There are labelling and packaging which already a good number of sucmade profits from this approach. In the Paris pret-a-porter show this year Hong Kong pro-Many of Hong Kong's manu- ducers made heads turn and facturers still think of volume several of the big fashion magaproduction of 5,000 dozens zines said that the colony was instead of 500 dozens which now on the world fashion map. would be more in line with But most of Hong Kong's tex fashion output. Miss Dunn tile and clothing manufacturers it blends into the "look" of the advises that one profitable way could not tell you where the road to Paris is.



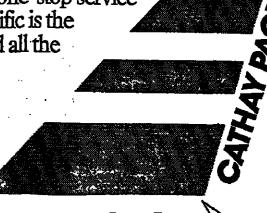
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The Swire Group (3)

HONG KONG XII

Code to protect investors and attract foreign funds

TAKEOVERS AND MERGERS

ADRIAN BOYEN

THE Hong Kong stock market has a justifiable reputation for occasionally being something of a casino but, although the Government has taken steps in the last year to introduce a greater degree of responsibility. opposition from investors and stockbrokers remains strong.

At the heart of the controversy are proposals by the Government to tighten up the Hong Kong Code of Takeovers and Mergers and to enact widetanging disclosure laws with the announced intention of protecting small investors and attract-Hong Kong. However, opponents to the measures, who include the governing committees of the four stock exchanges and several influential corporate chiefs, argue sought such protection and that the Hong Kong market will be made less attractive to foreign

The controversy began early last year when the Securities Commission, which was formed after the burst of a speculative bubble on the market in 1973, announced that it was not satistakeover that the

Consensus

The code is a non-binding document that purports to represent the consensus opinion of those involved in the field of takeovers and markers and, as things stood, it required that any shareholder who acquired control of a company should within six months make a general offer for all the remaining shares at the price he paid to ecquisitions of a 50 per cent shareholding was fixed as a definite level at which control changes hands, the wording of he code was ambiguous about whether control could change hands at lesser percentages.

Following complaints that the Comission's takeovers comhands and said that it would, in the fourth voted against. The tion abroad and a better chance drafting is completed and Hote the future, make the final vote was carried on the strength of attracting foreign investors. Kong's legislative countries decision as to whether a general of four UK-based underwriters "Virtually all countries with ponders the matter.

would take other factors than a underwriting in Hong Kong. simple majority shareholding The most vocal opponent of into account. However, the new the changes was the governing requirements in Hong Kong problems as a major confrontaion shaped up between established British interest in Hong Kong and the growing might of Hong Kong's Chinese entre-

In June, only two months after the change was announced, shipping magnate Sir Yue-Kong Pao rested control of the Hongkong and Kowloon Wharf com-pany away from Jardine Matheson by purchasing 49 per cent of the stock in a swift dawn committee an dfound wanting raid. When the takeovers committee ruled that he should subsequently make a general offer for the stock, he publicly refused, falling back on the argument made by his financial advisers, Wardley Ltd., that there was nothing in the code to require a general offer.

The salt was rubbed in the committee's wounds a few months later when Jardine Matheson moved to protect its interests by acquiring 40 per cent of the Hongkong Land company through a series of stock shuffles and a dawn raid.

Jardine's directors did not ask the committee for approval and a nasty confrontation in which the committee warned Jardine's directors that it would require a general offer if any more shares of Land were bought. It was evident nonetheless that the committee's dictates had been very publicly flouted twice in a matter of months and this prompted Sir Philip Haddon-Cave, the financial secretary, to

duce new regulations to the general offer to be made by any Aside from putting teeth in shareholder who boosted his the takeover code, the governholdings in a company to more ment also expected the new than 35 per cent. As a conwith existing holdings of be-tween 35 and 50 per cent to bids or major share purchases.

The decision sparked im- increases in share prices. attention ediate esentment because The final purpose was to munity this had occurred in several mediate esentment because The final purpose was to munity has consequently public companies, to the distince of Hong Kong's four bring the practices of the Hong shifted to other matters of advantage of small shareholders, major underwriters were not Kong stock market in line with importance, but the controvery

rule was not published as an committee of the Hong Kong addendum to the code. This Stock Exchange which argued failure to do so quickly created that there had been few cases of control being misused. The both in Hong Kong and exchange said the new rules where," said Mr Uisdein would hinder more efficient Innes, the Commissioner companies from taking over Securities, less efficient ones, would rule legislation. out planned takeovers that could have brought small shareholders substantial profits and reduce turnover on the market. Those arguments had already

been weighed by the takeovers

when balanced against the ex-

peceted benefits to small share-holders. An abiding argument, how ever, was that the new rules would be difficult to police and would encourage disrespect for the government when broken. Major shareholders in Hong Kong can cloak their identity by registering their holdings in nominee companies which are not required to disclose the ultimate holders. Therefore it

was still conceivably possible for any party to build up a stake of 50 per cent or higher without the knowledge of the takeovers committee. It was in part to police the new trigger rule effectively that the government announced in February that it would introduce disclosure laws. As proposed, the legislation would from an amendment to the company's ordinance and reindividuals or groups acting in

concert, with more than 10 per cent of any public company's shares to reveal their true identity, the size of their holdshore up its authority with public announcements of support for its goal of changing the all directors of public companies, their financial advisers, Armed with that support, the their lawyers, their auditors committee finally voted to intro- and possibly even their property closures. code which would require a valuers to make similar dis-general offer to be made by any Aside from putting teeth in

represented at the meeting at markets in developed countries can be expected to occupy the which the vote was taken and and thus give it a better reputa- limelight once again when the

markets have disclosure require ments and the absence of such weakens' the appeal of the market to serious investors an is a subject of adverse comme both in Hong Kong and els

Securities, in explaining The opposition to the laws has not yet crystallised around any single organisation made public announcements their unhappiness so far include the Hong Kong General Chamber of Commerce and the largest brokerage house hong Kong, Sun Hung K

Securities. The fundamental objection that many Chinese families living in South-East Asian countries have traditionally it vested much of their savings is the Hong Kong market but will now be dissuaded from doing so because their evasion foreign exchange controls in their home countries will be come public.

Turnover

addiiion, stockbrok believe that turnover on the market will drop because Hong Kong investors are attracted principally by Gig gambling appeal of rapid share price movements and are affa that one piece of govern

sceptical of the government hopes for more foreign investment. The principle foreign investors interested in Hong Long are in any case British-inve they say, and the principle onse from them so fir is that they will stay at home if disclosure laws depress the market, regardless of whether responsible as a result. Both the changes to the take

over code and the disclosure laws are still in the drafting cession, it allowed shareholders habitual rumour-mongering in stage with no indication yet coming from the government of tween 35 and 50 per cent to bids or major share purchases, when concrete rules will appear raise their holdings by 3 per Such stories are frequently and whether they will be a responsible for sharp but brief strict as proposed. The attention of the business con

 ${\tt Bro}$

Gauso A

A steady stream of buyers sends share prices rising

STOCK MARKET

ADRIAN BOYEN

THE Hong Kong stock market has a well deserved reputation for volatility but at the some time, the impressive rise of share prices in the last 12 months has been solidly underpinned by corporate performance and the continuing growth

of the Hong Kong economy. Following a series of ups and peak in November on the Hang Seng index of 1,654, buyers returned in a solid stream in May to set a new eight-year record of 1,667.

The record was made almost entirely on the back of support for about 10 blue chip stocks that have shown vast increases in profits for 1980 and are in-creasingly included in the port-folios of large international

Among those stocks, the Hongkong and Shanghai Bank turned in 1980 profits of HK\$1.43bn, property developer Cheung Kong Holdings reported Land company set the record with HK\$2.2bn, although the bulk of that profit was extra-

The buying in May showed a sharp reverse in the mood of the market from only two months previous when the index stood at 1,400. At that time most analysts thought the upside potential would be restricted until late in the year by fears that any improvement would result in the market's liquidity being drained away in rash of new share issues of dubious value.

But the fact that their expectations were wrong can easily be excused because, compared to previous years, the market has behaved somewhat abnormally since late 1979.

It was in that year that Hong Kong investors finally overcame their reactions to the "burst of a spectacular bubble" on the market in March 1973, when the Hang Seng index climbed to a high of 1,770 before crashing to a low of 160 late the following



The Cotton Ring at the Hong Kong Commodity Exchange

Several factors combined to the market bring them back to the market in such numbers that total turn- over for 1980 climbed to over end the property market in the ment than had such British HK\$100hn, four times the past but Hong Kong has dominated hongs and property development of trading in 1979, and become increasingly important their trading activities HR\$6bn was raised in new share and rights issues.

Hong Kong has a land area of only 409 square miles and a population of over 5m. rapidpopulation growths have pushed land values sharply up. One central office building alone was sold for HK\$998m in January 1980 and resold for HK\$1.6bm in August

Values

Since the majority of listed companies are engaged in property development, the increases in property values were. quickly reflected in growing net asset values and investors respanded accordingly.

Their confidence in property

to China as a port and financial their trading activities. centre and when Chinese vicechairman Deng Xiaoping told Sir Yue-Kong Pao won a shor he told them.

the support for the market was that the instruments of monetary control available in other countries do not exist in Hong Kong because the colony has no central bank and no Government debt to use in open market operations. The result in 1980 was a sharp increase in liquidity with total credit to the economy up 64 per cent during the year and money supply (M3) up 40 per cent. The stock mar-

ket was awash in cash. But perhaps the most important factor was that 1980 saw values was also buoyed by the outbreak of a full scale take-In from Peking that Hong over conflict between estab-Kong would not be immediately lished British interests and absorbed back into China when Chinese entrepreneurs who had

Several factors combined to the lease on Kowloon and the enjoyed much greater profit

Hong Kong investors to set but furious battle with Jardin their minds at ease they did as Matheson associate Hongkon but furious battle with Jardin Land, for control of the Hone The second major factor in kong and Rowloon Wharf col pany which owns valuab waterfront

This was November by a series of proje tive . measures organised by Jardine to build up cross hidings with Hongkong Land. two now hold 40 per cent of ex

The takeover struggle affetted many more stocks than the mas involved alone. The Hong Rotg stock market is still a forum or the small and somewhat gullise speculator and since there is few rules to limit the spreadig of rumours, stories of impendig

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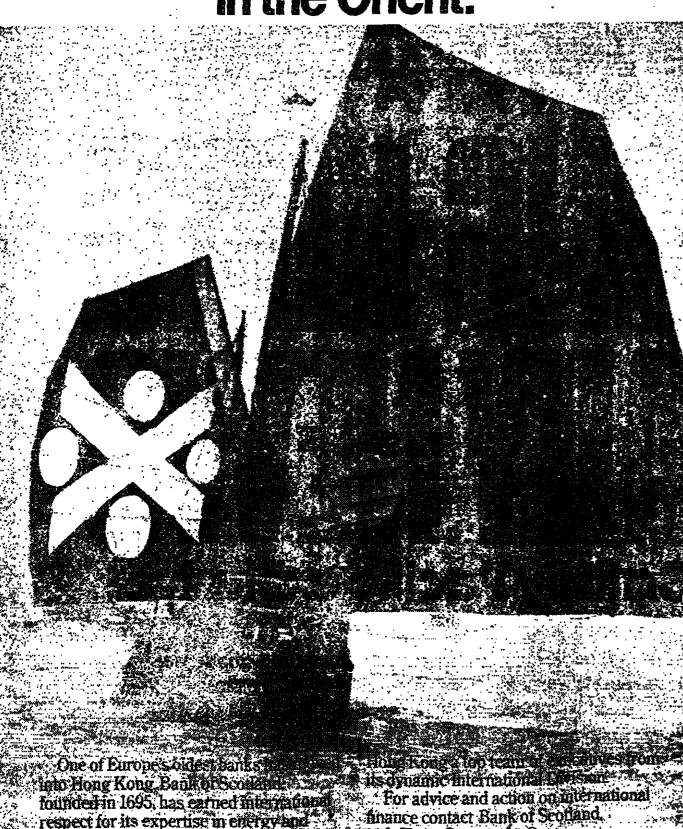
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HONG KONG XIII

Moves to attract industry to less congested sites

DEVELOPMENT

KEYIN RAFFERTY

LAND SHORTAGES and correspondingly high prices for any land that can be sold or rented go far to explain the pecu-liarities of Hong Kong's hot-

They provide part of the answer to the puzzle of how the Government regularly runs a large budget surplus despite on crown land. They hold the key to the financing of what is probably the world's most ambitious new town development programme—the land sold to private developers in the new towns brings in enough money to most of the rest of the development programme. Finally, land shortages have been the key factor behind the highly idiosyncratic development of Hong Kong industry.

Hong Kong began to indus-trialise in the 1950s and 1960s with the assistance of capital and entrepreneurial know-how brought into the Colony by refugees from Shanghai. By the mid-1970s, however, it was beginning to look over-dependent on textiles and other light industries—for a very simple reason. The Colony lacks the space on which land-intensive industries such as motor assembly, machinery building pares with toughly \$18,000 per or even colour TV production can be carried on to saying nothing of the really heavy industries such as steel and shipbuilding.

Hong Koug's most characteristic industrial area, the Kwungtong complex on the outskirts of Kowloon, is a maze of multi-storey "flatted" factories which could not be produced in in which any manufacturing a Kowloon flatted factory. He operation depending on heavy machinery or requiring high overhead elearance is out of the

question...
Property in the area is so valuable that businessmen normally acquire a site first and on it. Not only that: it is commos, if not universal, for the Kong businessmen for "switch-tinants of Kwungtong factories ing" industries—he must underof maximum returns on the original one without first con- ing up construction work. precious floor space which is sulting the HKIEC. their main industrial asset.

plastic flowers to fashions and whelmed with applications. The watch assembly, helped to keep the domestic economy booming through the latter half of the

By 1977, however, the Hong Kong Government and some local business leaders were beginning to feel uneasy at the progress made by rival "new industrial countries" in attracting investment into high grade export industries that appeared to be by-passing the Colony.

One of the results of their concern was the formation of the Hong Kong Industrial Estates Corporation—an autonomous Government financed entity, operating with a staff of low tax levels—by selling leases less than two dozen, whose business is to lease industrial land at prices that could make it worth the investors' while to make something that could not be squeezed into the flatted factories of Kowloon.

The HKIEC has so far borrowed HK\$950m worth of Hong Keng government fundsat an interest rate roughly the same as the commercial banks' prime lending rate—to develop two 70-hectare industrial estates at Taipo on the east side of the New Territories and at Yuen Long on the West.

15-year lease

The land developed at both estates is on offer to would-be investors at a rate of HK\$825 per square metre for a 15-year lease—which the corporation claims, is renewable on expiry for another 15 years. This comsquare metre for sites in the congested industrial sector of Kowloon.

The catch in the HKIEC's package is that sites at Taipo and Yuen Long cannot be rented by just anyone. A would-be tenant of the Corporation must be planning to make a product must also be producing a product which requires new skills or technologies, which provides higher added value than is produced by "traditional" Heng Kong industries and which will earn export income.

Last, but by no means leastgiven the propensity of Hong switch from one light take not to use his factory for dustry to another in pursuit any purpose other than the

In the four years since it Hong Kong's resilience and opened its doors and started versatility in a range of light work at Taipo, the corporation stretching from has not exactly been over the fact that finding any land for values.

"no change" rule appears to have been regarded reasonable local entreprivate preneurs. The rents on a 15year lease at the Taipo estate

though low by Kowloon standards are still well above those available in Singapore or in New Industrial Countries." Despite these drawbacks there the sites at Taipo are beginning to fill up.

Mr. Victor Miller, the cor-

poration's British chief executive, says that 29 of the 59 companies whose applications have been approved by the HKIEC are now "committed" to open factories at the estate. Divided roughly equally between foreign and local investors the companies include the Danish brewer Carlsberg whose brewery opened last December, three makers of integrated circuits who will serve the Kowloon electronics industry and the first ever Hong Kong colour TV assembly —a venture mounted by Conic which will turn out 20,000 sets per month. A lone Japanese investor, Sunny Hose turn reinforced plastic flexible hoses while a local Hong Kong company will produce large sized

the local plastics industry. Mr. Miller says companies, which are already committed to enter Taipo, will invest around HK\$1bn in factory buildings and equipment and enjoy around HK\$2bn worth of sales during their first year of full operations. He expects the estate to accommodate an eventual total around 70 companies depending, of course, on the sizes of individual projects with about 20,000 jobs.

plastic injection machinery for

At Yuen Long on the far side f the New Territories a roughly similar scale of investment is expected; but the corporation makes no secret of the fact that. whereas the building of Taipo has been plain sailing, the Yuen Long project faces difficulties. Building Taipo was a rela-

the tops of mountains and dumping them in the sea, but Yuen Long calls for the resumption of land from local villagers and the filling in of areas at present used as fish ponds. Land available for use as fill is scarce in the region and home grown forms of environmentalism hold-

The HKIEC expects Yuen Long to be completed well its difficulties merely point up mind solely by inflated land

industrial purposes in Hong business whether you are a businessman or organisation closely related to

the government. Hong Kong's experience in using official money and power to attract investors into certain sectors of industry is more recent than that of any other news industrial country -and this shows up in some of the problems the HKIEC has encountered.

An early plan to build ready-made factories to attract investors was opposed by officials or the corporation's board who said that factories should not be erected until there were firm takers for them-the fact that in Singapore large numbers of 'standard factories' erected by the Jurong Town Corporation, long before investors appeared on the scene to make use of them, appears to

Tax holiday

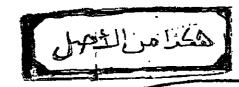
Further limitations to Hong Kong's investment promotion campaign include its lack of a network of overseas offices to entice investors—but this is shortly to be made good—and the fact that tax "holidays" do not form part of the govern ment package—as they do it Singapore.

Hong Kong's 16.5 per cent basic rate of corporation tax however could be taken to mean that investors are being offered "permanent" tax holiday.

The corporation is not only late starter beside other Asian industrial development corpora tions. It also operates on an extremely modest scale compared with the various organisations involved in implement ing Hong Kong's vast and ambi tious programme of urban development in the new territories. The disparity between the two programmes looks all the more striking if one com pares Hong Kong with Singa pore, where government spon sored investment promotion pro tively simple business, carving grammes have received high

The relatively low profile of Kong's officially spon Hong sored industrial developmen programme reflects the fact that private entrepreneurship has always flourished in the Colony.

What is being attempted now with at least a modicum of success, is to guide entrepreneurs into areas which might never have been entered if



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Brokers and analysts are confident

CONTINUED FROM PREVIOUS PAGE

companies abounded with speculators quick to act on them in hopes of a fast profit. Hong Kong's prime lending property prices stabilised, and became clear to investors that the takeover conflict had ended for the time being.

The index fell to below 1,300, rose quickly again to just expected to be expensive and over 1,600 as speculative bar-gain hunters poured back in on the Hong Kong market traded and then dropped once more.

But there was an additional cent discount from net asset eason for the decline. The value in 1980, but two new reason for the decline. The economy's liquidity in 1980 had been largely absorbed by market began to decline, Hsin by direct property investment Chong Properties and New and it was not until the end of Town Properties, were both the year that property mag- priced at about a 10 per cent further cash calls on the market cants. It was an all tune record thates began considering new discount from underlying value out of the question for some for Hong Kong

takeover bids for other listed share issues and rights issues and both were criticised for time to come. in large numbers. By the end of January at

least five companies were known. The speculative fever finally to be planning to make cash abated in December' when calls on the market and at least seven others were rumoured to rates rose to a peak of 17 per be doing so. Estimates of how the same time that much money would be drained away ranged up to \$10bn and caused fears among investors that the market would never regain its November peak.

The new issues were also on average at about a 30 per issues that came out as the poor quality holdings.

The pessimism on the market fidence of investors soon was such that the Hong Kong Federation of Stock Exchanges declared a moratorium on new turned out, it was only one step ahead of the underwriters who themselves turned sour on new issues a few weeks later when they faced losses of over \$100m on a \$420m rights issue by Paliburg Investments that was only 20 per cent subscribed.

That was followed with a \$2bn rights issue from the Hongkong and Shanghai Banking Corporation. The bank, because of its strength in Hong Kong, could be assured of underwriters but with so much money drained out of the market, many brokers and analysts declared any

Banco Ambrosiano

They were wrong. The con-

returned as the season for reporting annual results showed share issues in March. As thing record profits and the interest of investors elsewhere in the region turned back to Hong Kong. The proof came when a \$3bn

property development company. International City Holdings. which was formed venture between Cheung Kong Holdings and Hongkong Electric in November, went public with \$450m offer of new shares.

The names of the backers and the equity of the properties involved resulted in the issue being 11 times oversubscribed. with cheques for more than \$5bn sent in by hopeful appli-



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HONG KONG XIV

Slow progress in improvements

FINANCIAL **SERVICES**

ADRIAN BOVEN

ALTHOUGH Hong Kong lays claim to being the dominant South East Asia, there are still several gaps in the financial service it offers. Some progress has been made in filling those occasion at least, run to Government fiscal

Government's basic course for improving financial services was charted in a 1979 on diversifying the economy. The study found that published official statistics and the Government's communications with the financial sector were inadequate, that the money market was not sufficiently large and that the insurance industry needed better super-

It made several specific recommendations, among them that: The Secretary for Monetary Affairs do a study on what additional statistics should be

initiative to improve communications by setting up a forum for discussion of Government policy with the financial sector. purposes overseas. The Government drop the withholding tax of 16} per cent of interest income on foreign currency deposits to encourage an inflow of funds to Hong Kong and build up the secon-

legislation for proper supervision of the insurance industry to protect the rights of policy

None of these goals has yet been achieved and progress in achieving some of them has

communications, improve particular, has met with little So far in 1981, the Government has not yet set up any forum specifically for discussing policy with the financial sector and has been accused on several occasions of introducing ill-conceived new legislation without consulting the financial industries involved.

Bitterness

The Government's response is that it cannot consult the industry until legislative measures have been introduced and con-sultation will still take place before the legislation is finally passed. But this has done little to ease the bitterness many businessmen feel towards the

Some progress has, however, been made on the recommendation to provide better statisties. The main problem facing the Government in this area was supply was difficult to monitor because statistics did not show how much money raised in Hong Kong is used solely for

Statistics to separate such funds have now been collected for several months, but the Government has decided evaluate them first before publishing them.

Encouragement of the Hong Kong money market by drop-

The Government speed up ping the withholding tax is a industry but the basic framedifferent matter.

> found that although Hong Kong was the natural location for a Singapore had gained ground, especially with its Asian dollar exchange controls in 1978 at the same time that Hong Kong imposed the withholding tax on offshore borrowing and lending

arranged in Hong Kong.

Bankers in Hong Kong have long argued that business lost to Singapore could be regained Philip Haddon-Cave, the financial secretary, finally relented in February by promising to Government's liabilities by at least HK\$2m.

But when asked in May what progress had been made with the review, he hinted that the

The preliminary results of this examination suggest that proposition are not predictable, could be adverse, economic implica-

Sir Philip did not say what bankers argued that they could revenue from the tax. Although emoving it might encourage a switch from Hong Kong dollar into U.S. dollar accounts, the effect on the exchange value of the Hong Kong dollar would be minimal and temporary.

The financial community is

work has already been disclosed. The major broblem outlined by the diversification study was that the Government is unable under the current legislation to

something has gone wrong. The new legislation will be designed to allow continuous prudential supervision It will bring all forms of insurance, including forms not presently covered, under one ordinance

proofs of solvency. Recent legislative amend-ments already require fire and marine insurance companies to have a minimum paid up capital of HK\$5m and assets exceeding

and require paid up capital and

Publicity

In addition, the ordinance will allow the Government to deny a licence to any insurance company if it is not satisfied

Kong's financial services suggested by the 1979 study did not include encouragement to unit trusts and mutual funds to establish their regional offices in Hong Kong but it bas been the Government's activities in have drawn the greatest publicity. The unit trust industry has

been increasingly attracted to Hong Kong since 1970. They have been attracted, among other things, by the

strength of Asian stock markets, munications, the respect with which the major trustees in still waiting for the new legisla. Hong Kong are regarded and tion to regulate the insurance the relative speed and ease of for trading.

pared with other locations.

no tax aside from the normal 161 per cent assessment on the

Government announced February that it would impose a stamp duty of 0.3 per cent on all trading of units of trusts began at the same time to send the trusts assessment notices for tax on profits on trading in the Hong Kong stock market.

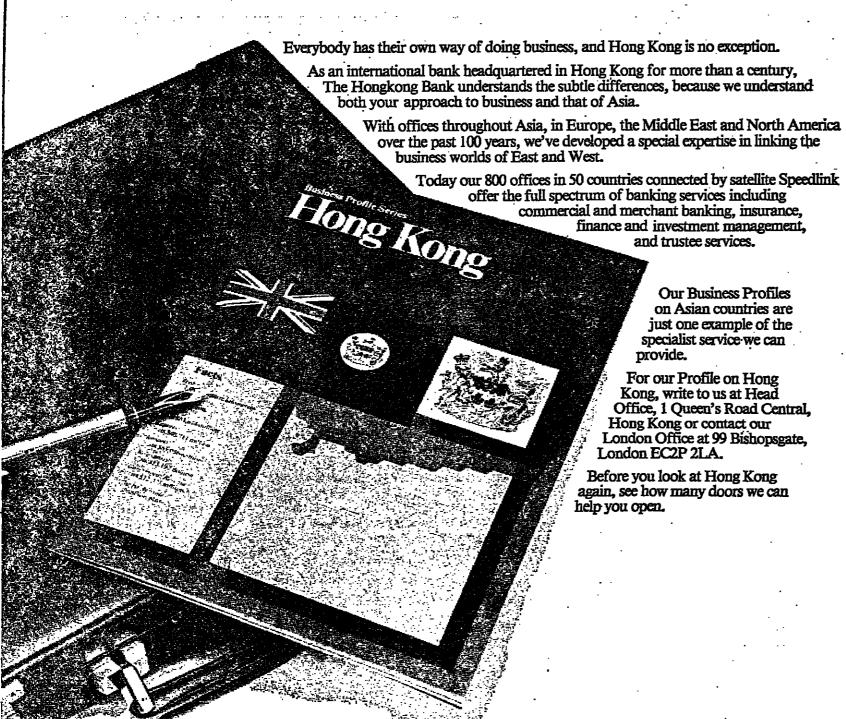
The Government argues that it was simply removing a fiscal because dealing in shares was subject to stamp diffies and dealings in trust units ought therefore also to be dutiable.

The trusts complained bitterly such duties in other jurisdictions and vowed that if the Government persisted they would simply move to other Hong Kong of one of its most rapidly growing financial

The Government eventually relepted and promised an stock market and in May on

the market retroactive to 1974. The result has been that no new funds have been set up Hong Kong since the first rumblings of taxation and the trusts still yow to move if they

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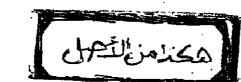
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Optimistic despite a slow start

GOLD FUTURES MARKET

KATHRYN DAYIES

HONG KONG is a major gold gold futures market, which got off to a good start in August 1980, is currently in the doldrums. From a high point on the first day of trading of 1977 for the daylor arrange in 797 lots the daily average in the first four and a half months fell to 290 lots, with a total value of US\$1.76bn. The daily average is currently below 200

The chairman of the Commodities Exchange, Mr Peter Scales, one of the instigators turbed, however. Kong there's a direct correlation between volume and hedgers and speculators are public mind and world political and economic uncertainties continue to underscore the importance of gold in the monetary system, activity on the futures market will increase, Not all members of the

exchange take such an optimistic view of the gold futures market. Traders in physical gold in both the general dealers' market and the Gold and Silver Exchange (Kam Ngan) say that the rules on the Commodities Exchange compare unfavourably with rules on others. The local

is restricted to Chinese, although outsiders can deal through its members.)

The futures exchange clearly suffers from the existence of the two other highly developed and sophisticated gold markets. To try to play three markets at the same time is almost impossible, say many dealers. More than 50 per cent of turnover on the gold futures exchange is on behalf of

Japanese members, who trade in kilos of the metal for yen. Viewpoints

There are differing views about the effect of Tokyo's new interest in gold on the Hong Kong market. On the one hand additional markets tend to enhance business and create opportunities to trade which have not previously existed. On volatility. If the price to some lose interest in playing is doing nothing much, volume lose interest in playing reduces." He argues that the Hong Kong market once they are offered fresh opportunities

Most trade in all commodities unused to it. Once the market in Hong Kong is from the becomes established in the South-East Asian region. "You have to get an increasingly active regional participation before you can begin to attract other business," says Mr. Scales.
Only time will tell whether the gold futures market can

attract sufficient interest to raise the level of dealing to 500 lots a day-considered proof of an active market. Meanwhile gold bullion dealers admit that they too face problems.

Since the beginning of 1978 international traders have poured into Hong Kong, while the market has shrunk because of reduced sales from the Soviet Union and a "fexibility" Chinese investor prefers to deal in the sales policy of South Kong. It on the gold and silver exchange Africa. Nor is there much hope interesting where participation does not among dealers that the price of volume of business here."

mean disclosure for tax purgold on world markets will poses. (Membership of the escalate dramatically, despite international political tensions, practice only gold is traded—

Asked what would move the Asked what would move the market, a leading dealer speci-fied (1) a reduction in interest rates; (2) a prolonged interruption to Western oil supplies;
(3) massive political instability leading to a major war. None of these, he thought, was likely to

happen in the near future. Meanwhile, undeterred by the sluggish performance of the gold futures market, the dearth of active trading on cotton and sugar futures and the modest success of the soya bean market, the Commodities Exchange is hoping to set up a financial futures market, although no date has yet been targeted. Mr Scales says the exchange has the responsibility to operate the the responsibility to operate the kind of service operation which will help the plans of the business community both in Hong Kong and overseas.

With one eye on the forth-coming London financial futures market, Hong Kong is examining the way in which financial futures operate in the U.S. Some foreign bankers argue, however, that the creation of a financial futures market in Hong Kong is premature and that it would in any case merely be an arbitrage market for inter-bank dealings.

Mr Scales himself is optimistic that what he calls "a fair cross-section" of Commodities Ex-change members (from Japan, the U.S. Europe and the East and South East Asian region) will be enhanced by current Australian moves to review their reserve bank policies and exchange controls. "If these [controls] were lifted, then we'd see a considerable development of two-way [futures] trade between Australia and Hong Kong. It would have quite an

HONG KONG XV

New criteria for financial institutions

licensed banks with a total of about 1,200 branches between them. They range from the Hongkong and Shanghai Banking Corporation with 263 branches, through the network of the Communist Bank of Chida and its 12 sister banks with nearly 190 branches between them, to single branch banks. Most of the new comers are limited to a single branch.

Banks can collect or lend any amount of money for any period of time, but the interest they pay on deposits isgoverned by the Association of Banks, a statutory body to which all banks must belong a condition of their

At the end of May the financial secretary announced on the issuing of new bank licences which had been in force since August 1979. He iisted three criteria for foreign banks seeking a Hong Kong banking licence.

The bank must be incorporated in a country whose monetary authorities exercise "effective prudential supervision" and do not object to

the bank having Hong Kong

• It has total assets (less contra items) of more than

SHK10bn. • Some acceptable form of reciprocity is available to Hong Kong banks.

He also laid down different criteria under which locally incorporated financial institutions might aspire to a full

• It must be a limited company, incorporated in Hong Kong and not the sub-sidiary of a licensed bank, with a paid up share capital of at least \$HK100.

• It must have been in the business of taking deposits and granting credit to the public in Hong Kong for at least ten years and have been registered under the DTC Ordinance since 1976 or for at least ten years whichever is the shorter.

• It has deposits from the public of at least \$HK1.5hn and total assets (less contra items) of at least \$HK2bn. The Registered Deposit Taking Companies (DTCs)

which numbered 342 by the end of March could take deposits of any maturity, provided the initial deposit was \$HK50,000 or more. Under

new legislation, they will be limited to deposits of three months maturity or more. The

initial deposit will still have to be \$HK50,000 or more. A transitional period of up to 24 months will be allowed to help DTCs adjust to the new arrangements and run down their short-term deposits.

DTCs cover a wide range of finance houses from merchant banks to hire purchase companies, according to the financial secretary. Of the 342 DTCs before the new legislation was introduced, 30 were companies set up by licensed banks to garner deposits outside the scope of the interest rate agreement, 182 were doing "wholesale" husiness and 130 were engaged mainly in finance company husiness in the domestic economy. Together these domestic companies had total deposits of \$17bp or 37 per cent of the

total deposits with DTCs. The licensed Deposit-Taking Companies are a new category, in effect merchant banks, introduced by changes in the laws of mid-1981. They will be allowed to take denosits of any maturity provided the initial deposit is \$HK500,000 or more. Their issued capital

\$HK100m, of which \$HK75m will have to be paid up.

The financial secretary listed six criteria against which the applications for DTC licences would be con-

• The applicant would have to be subject to adequate hanking authorities of its country of incorporation.

• It would have to have traded as a DTC for at least three years.

to be reputable, and the beneficial owner of any holding of 10 per cent or more would have to be identifiable and reputable.

• The management of the company would have to be in "fit and proper hands."

• The company would have to be in good standing in the Hong Kong money markets.

• It should have "substantial assets (net of contra items) on its books in Hong Kong with a record of steady growth and prudent trading for at least three years."

KEYIN RAFFERTY

Sweeping changes affect all sections of the industry

BANK REFORM PROGRAMME

KEVIN RAFFERTY

HONG KONGS authorities are in the middle of a big reform programme to redefine the whole structure of banking, to make the industry —the Government hopes—more competitive, to improve Hong Kong's position as an inter-national financial centre and to fighten the Government's own somewhat palsied grip over the monetary system; Almost all the measures have attracted criticism from one quarter or another as being ill-considered, nconsistent or even inimical to that quarter's special interests which ought to be safeguarded.

All sections of the banking, econdary banking and quasinking industry ere affected the moves which include:

• Restriction of short-term eposit taking to-licensed banks. • Creation of a new group of licensed deposit-taking comin effect merchant

Setting up of a statutory association of banks.
 Lifting of the moratorium

on bank licences to open the • Special criteria to allow domestic financial institutions to acquire bank licences.

Deposits

One of the factors propelling Sir Philip Haddon-Cave, the former Financial Secretary, to action was the rapid growth in DTCS and, more important, the growth in their funds. Sir Philip pointed out that banks had been attracting a declining share of the total deposit base in Hong Kong: in 1978 they had 85 per cent of total deposits HK\$70bn: af thte end of March 1981 total deposits had grown to HK\$141m, but the combined share of the banks had shrunk some depositors at risk as well to 57 per cent. Deposits with as the monetary system and, DTCS had at the same time therefore, the economy as a grown more rapidly, and one of the main reasons was that the DTCS are not bound by the interest rate agreement and could offer higher rates to de-

Principal activities :

Management of and participation

Provision of corporate finance Acceptance of deposits in all main

year DTCS were offering 2 and deposit interest rates with wild east" image and to try 3 per cent more than banks. According to Sir Philip, a round the official interest rates other course open to us."
by setting up their own DTCS in trying to tackle the DTCs, by setting up their own DTCS

to attract funds by paying higher interest rates and then lend the funds on to thet parent banks. He said that 94 DTCS - out of a total of more than 360 — at the end of February were subsidiaries of banks and these held 77 per cent of the total DTCS deposits. Moreover, he added, 30 DTCS were specifically concerned to lend the deposits collected on to their parent banks, and 70 per cent of all deposits from DTCS connected with banks were lent on in such a way.

Restraints

Some bankers urged that Carbs on the rapidly grow that: Restraints, in the form provided that the initial deposit Government regulations. create opportunities for enterlines. In other words, if a rule forbids someone to engage in a certain activity, someone else

somewhere else will step in to meet the needs of the market. Sideline competitors fill a void in the market, often at the expense of the legitimate, regulated operators. This has happened in America, where nobanks have eroded the banking industry and taken over various

However, Sir Philip Haddon-Cave saw greater dangers in freeing interest rates. He did had damaged the market. He wanted to avert dangers of unregulated secondary banking and he also said that the control over interest rates was the main level the Government had over the monetary system.

"Free-for-all competition for deposits." he told Hong Kong's Legislative Council, "could put whole. In the absence of the Government creating an ever-increasing volume of debt instruments to trade in the market, and thereby act as a market positors. At the end of last leader, a cartel arrangement for

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 Money market activities Foreign exchange transactions

which the Government can number of banks tried to ger exercise influence, is the only

however, the authorities faced problems because of their diversity. The 342 DTCs registered by the end of March range all the way from merchant banks, to vehicles to get round the interest rate agreement, to money lenders, hire purchase companies and virtual pawnbrokers. To weigh in too heavily against all DTCs would run the risk of driving away the international name merchant banks. So, to protect the interest

rate agreement and not to scare away the big foreign merchant banks. Sir Philip unwrapped a pakage which is a series of trade offs. Under it the normal what should have been done was registered DTCS will not be to increase competition by free allowed to take deposits of less ing interest rates and letting than three months' maturity, banks and DTCS fight for de all banks have to become posits. Mr. Kent Price, vice members of a new association president of Citibank in Hong of banks, but a new class of is HK\$500,000 or more To make sure that banking

in Hong Kong is competitive, Sir Philip in his final week as Financial Secretary at the end of May, lifted the moratorium on new bank licences which had been in force since August 1979. He raised the asset requirement for a foreign bank seeking a Hong Kong licence to US\$10bn, but he held out the prospect that there would be no further moratorium: instead the doors would remain open for the entry of new banks, though these will be admitted in an orderly fashion with not too many at a time, so as not to-upset the market. When the not wish to return to the cut-throat competition of the 1960s previous 13-year moratorium for deposits and loans which was lifted 41 new banks were. was lifted 41 new banks were given licences inside 17 months. This rush of banks to Hong Kong caused apprehension and upset the smooth organisation of banking.
The Financial Secretary also

announced criteria under which; new Hong Kong incorporated financial institutions could seek licence as a fully-fledeged

No one is fully satisfied with the Financial Secretary's package and a number of bankers are dissatisfied. The cial markets, including the stock

The intention behind the reforms is to rid Hong Kong the essential stepping stone to of the "gambling casino of the other things later on.

appropriate coverage, and over to turn the territory into a more discliplined financial centre which will attract institutional money and not just wheelers and dealers. But all of the measures., especially demands that directors and major shareholders in companies must dis close their holdings and dealings, have attracted opposition from many of the pillars of the financial establishment in Hong

> A lot will depend on how the new Financial Secretary, Mr. John Bremridge, and his staff handle the transitional period during which registered DTCS have to run_down their shortterm deposits, candidates for licences as DTCS have to apply and be processed and new bank licences are awarded. If they show themselves to be firm ver competent they may win respect More important, they may plug the talk that everyone is look ing for loopholes and ways round the full effect of the new measures.

As it is, almost every interest has something to grumble about lost most, as they are being shut off from the short-term business on which many of them have offshoots of foreign banks limited in the local money-market by the dominating presence of the Hongkong and Shanghai Bank. Some of the foreign banks may be assuaged by the chance of gaining full Hong Kong banking licences the largest local finance company, Sun Hung Kai Finance, will probably qualify for a bank licence under the new criteria for local institutions, though li may be the only local body to qualify.

Shadow boxing

At the moment, though, there

is still talk in the market about whether there is a way round the three months' maturity limit on deposits, or whether smaller DTCs can somehow pool to increase their deposits and qualify as a licensed DTC. The latter will probably be difficult given the capital requirement, stringent conditions and the degree of discretion in the hands of the authorities. On the other hand, even some of the bestbiggest problem is that there is known international name mer-a great deal of uncertainty chant banks say they are besiabout how the new arrange tant about applying for a DTC ments will operate and about licence. "The capital require the quality of the officials ment is a large sum" said one supervising and awarding the senior merchant banker, "and new licences. It has not helped perhaps we might be better off that the new plans for banking unlicensed and even deregisare part of a much bigger programme for reform of all finan-prestige." There is still a lot prestige." There is still a lot of shadow-boxing and even the big names may decide to apply for DTC licences in case it

THE MONETARY AGGREGATES

	1976	1977	1978	1979	1980
As at end of year					
Money supply (\$m):					
Mi (old series)	14,050	18,081 -	2 2,281	11.8.	E.S.
M2 (old series)	48,413	58,450	73, 4 06	n.a.	п.а.
M1 (new series)	n.a.	n.a.	20.110	20,851	24,124
M2 (new series)	n.a.	11.2.	66.472	75,270	96,862
M3	n.a.	n.a.	76,919	99,765	139,578
	29,480 29,480 n.a. n.a. n.a.	36,856 36,856 n.a. n.a.	52,814 52,314 46,428 9,970 56,398	n.a. n.a. 62,227 13,566 75,793	n.a. n.a. 94,970 29,317 124,287
Exchange rates indices (18.12.71=100):					
Trade-weighted	114.4	106.6	93.2	92.7	88.2
Import-weighted	111.5	102.2	87.6	88.4	83.2
Export-weighted	118.0	112.5	101.0	98.3	95.2

Definitions of terms: Old Series: M1-legal tender notes and coins in the hands of the non-bank public; plus demand deposits with licensed banks. M2-M1 plus savings and time deposits with licensed banks. Bank loans and advances in Hong Kong—Loans and advances to customers in Hong Kong (other than banks) by licensed banks.

Source: The Hong Kong Budget.



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Shih, an ancient country in southwest China, he was detained by the Huns for over ten years. There he developed his idea on the potential of international trade. On his release, he was

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Dec. 31, 1980 Dec. 31, 1979

142,245

656 11,624

372,239

299,310

64,157

372,239

4,157

179,883 7,994 685 19,259

432,557

346,605 7,994 9,094 68,864

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Net Profit After Tax

Total Liabilities & Shareholders' Equity

Paris

ontra Accounts Other Liabilitie

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HONG KONG XVI

One giant dominates the scene

DOMESTIC BANKING

KEVIN RAPPERTY

HONG KONG's banking scene is dominated by the giant Hongkong and Shanghai Banking Corporation. From the symbolic features and general social presence of the bank in Hong Kong's life to the hard commercial facts of who collects the deposits from the 5m inhabitants, the Hongkong and Shanghai is a long way ahead of all of its rivals put together. Some bankers complain about the stranglehold the bank has over the Hong Kong deposit base and money market, but there is still a queue of bankers anxious to

do business in the territory if only they could get a licence. The Hongkong and Shanghai is frequently referred to simply as "The Bank." Its chairman is one of the handful of people - along with the Governor, the chairman of the Royal Hong Kong Jockey Club and the Taipan of Jardine, Matheson—who are said to run the Colony; many commentators would place the bank chairman primus inter

The bank, ranked 16th in the world in terms of shareholders' equity and 12th in terms of profits in 1980, is the nearest thing that Hong Kong has to a central bank — but it is a genuinely commercial bank. It is the larger of the two note issuers (the other being the Chartered Bank, its rival in the bid for the Royal Bank of Scotland). It has the largest branch network — 263 out of nearly 1,200 bank branches altogether — and its subsidiary, the Hang Seng Bank, has another 46. It is the main banker to the Government. It has virtual control of the Hong Kong dollar mar-ket. Just for good measure, its merchant banking subsidiary, Wardleys, is reckoned to be the largest merchant bank in the whole of the Asian region.

Criticism

In the past few months the Hongkong Bank has come in for criticism because of fears, fuelled by its purchase of the Marine Midland Bank and its bid for the Royal Bank of Scotland, that it was deserting its home base. The bank hotly denies this and points to the new headquarters it is building in Hong Kong. Next month demolition will start of the squat blockhouse of No. 1 Queens Road, Central, which has been the head office since the 1930s.

Though not as tall as the Bank of China next door, the Hongkong Bank building even ugly solidness was some reassuring.

August

November 25 1980

imperial British lions in bronze kept guard outside the main doors. The lions will be pre-served but the building will be replaced by a modern multi-million dollar 41-storey headquarters, more economical of space and more modern in design-perhaps reflecting the growing ambitions of Hong

ong and the bank. Critics are not completely reassured by the new head-quarters, as they say it will have paid itself long before 1997 when, according to British and Hong Kong' law, the British. leases on the greater part of Hong Kong's territory expire. A careful look at the Hongkong Bank's policy express becaver Bank's policy suggests, however, that it has by no means abandoned its traditional base, though even in Hong Kong it has been prudent in insuring against the future.

Network

The bank's huge network of branches, spread throughout the territory, gives it pre-dominance in attracting local pelling reasons to go to another bank, Hong Kong residents are attracted by the ubiquitous presence of the Hongkong. There is a branch on practic-ally every important street corner and through a computer system withdrawals can be made at any branch. Many branches are equipped with electronic cashpoints, so that money can be drawn outside normal office hours.

Interestingly, the only bank really to challenge the Hong-kong for domestic deposits is the Bank of China. With its sister banks it has almost 190 branches and has been advertising its computer links and the fact that a customer with one of the banks can withdraw money from any of the sisters, thanks to computer

Because of traditional secrecy no one is quite sure what share Hongkong has of local deposits, but best guesses range from 50 to 60 per cent for the bank and the Hang Seng Bank together. But the Chinese banks have been increasing their share and some bankers say that it may have passed the 30 per cent mark.

With such a large number and wide range of customers, the Hongkong has been able to keep in close touch with what is going on in industry and the economy generally, and not just with what is happening in the expatriate and government communities. A large number of smaller companies have good reason to thank the bank for its entrepreneurial approach and for its willingness to back them when they had few mortgageable assets.

The Hongkong Bank board Decidedly has often been called a Who's



Michael Sandberg, chairman of the Hongkong and Shanahai Bank

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The Bank of China Building

years the bank has been careful to widen representation to include the pillars of the new Chinese establishment as well as the traditional expatriates. Sir Yue-Kong Pao is deputy chairman, Li Ka-Shing is on the

board and last month the bank appointed its first woman member, Miss Lydia Dunn, who is also Chinese.

For good measure the bank has also carefully cultivated relations with the People's Republic of China. Business with the mainland is increasingly important. In the dark days, when some other banks pulled out, the bank kept open the Shanghai office which establishes part of its name. This has paid off and even if the worst came to the worst and Ching reclaimed Hong Kong, the bank might expect not to have to scuttle but to be allowed to stay on and continue to do

For other banks life in Hong Kong can be an uphill struggle. Even so, they seeem to want to do business in Hong Kong, and that business is expanding. Last year total lending in Hong Kong (excluding offshore loans) by the 115 licensed banks rose by 53 per cent to almost HK\$95bn. Lending by deposit-taking companies went up even faster, by 160 per cent to HK\$29bn. Offshore lending, according to the official figures, was an addi-tional HK\$29.4bn by banks, an increase of more than 40 per cent on the 1979 figure, and HK\$30bn by deposit-taking com-

panies, a 22 per cent rise.

The Chartered Bank, which comes after the Hongkong Bank and the Communist network in branches with just under 100. has tried to concentrate on the variety of services it offers. The Chartered Bank: think of us as your financial department store" said a series of full-page advertisements in the local Press. These pointed to the of normal services offered plus extraslike current and accounts, fixed deposits, remittances, travellers' cheques, small gold bars, currency notes, Krugerrands, inward and outward bills, safety deposit boxes. foreign exchange, trade informa-tion. In addition it advertised specialist services like project finance, ship finance and Euro-

currency lending.
It also listed the specialised agencies within the Chartered department store: the Chartered Bank Hong Kong Trustee, dealing with estate administration, trusts, investment portfolios, provident fund trusteeship and roperty management; Mocatia Hong Kong, gold bullion brokers and dealers and commodity dealers; Sedgwick Chartered, sultants; Diners' Club International; two deposit-taking companies, Chartered Finance and Chartered Credit; Schroders Chartered,

Challenge

Some of the other foreign banks have begun an aggressive policy of branching. America's Citibank, whose local vice-president Mr Kent Price has been vociferous in urging the need for a free market and for more competition, now comes fourth in the branch table and with more than 40 branches challenging the Hang Seng. It has also been issuing certificates of deposit in Hong Kong dollars as a way of tapping local dollars without having to go through the interbank market dominated—some of its critics say controlled — by the Hong Kong Bank.

Banque Nationale de Paris (BNP) has also expanded rapidly to more than 20 branches, a number of them well placed in the rapidly grow-ing new towns which have industrial estates as well as residential areas. Barclays Bank International is also all set for an expansion which will double the number of its Hong Kong branches by the end of the year to ten. Most of these will be the key commercial areas. Mr Colin Stevens, who has recently come from Tokyo to Hong Kong as general manager, said there was no other place in the world like Hong Kong where a branch could become profitable within 18 months to two years. For banks like Barclays and

Who of the Colony but in recent BNP which have worldwide networks and can freely open to a single branch, as the new branches in Hong Kong, subject to the constraint of finding locations and paying the everincreasing property prices, the attractions of Hong Kong are obvious. They can play on their worldwide links, pointing out that it may be cheaper for an industrialist or trader to deal with one bank for all his transactions in a deal. There are areas of the world where even the Hongkong Bank is still weak—for example, in Europe and Africa. As Hong Kong has always boasted of being the land of opportunity they can try to

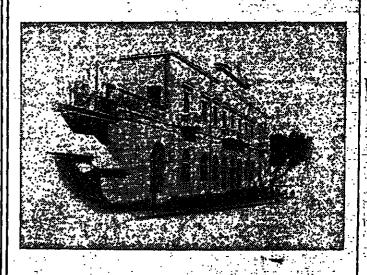
spot talent and back enterpris-

ing young industrialists.

comers have been, life can be tougher. Limited to central Hong Kong they have little chance of feeling the pulse of the commercial and industrial life springing up. To borrow on the interbank market for Hong Kong dollars is expensive. Overheads are high, given current property prices, and the hiring of staff and computer time. But they can keep their ears to the ground—Hong Kong is a great listening post—pick up some business and hope that the bank-ing authorities will give them a full licence to do competitive business in this international centre of the East.

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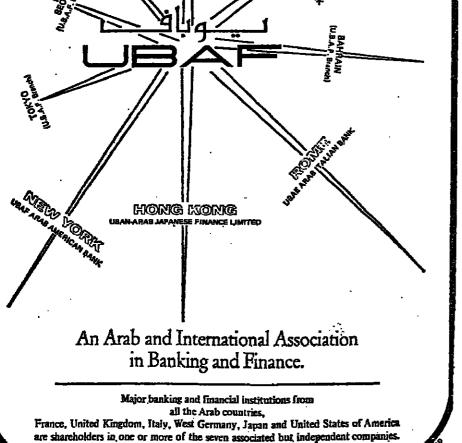
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Anxiety among Colony's textile manufacturers

BARRIERS

ADRIAN BOYEN

LTHOUGH the renegotiation Geneva of the Multifibre Arrangement has only just begun, the chiefs of Hong Kong's textiles and garments industries are clearly worried about the

Ever since the MFA was formed in 1974 as a means of rationalising world trade in the industry, the restrictions against developing countries have become more severe rather than more relaxed, as originally envisaged, and now the European Economic Community shows signs of wanting trade barriers that will be even more retric-

The talks are of great importance to Hong Kong because textiles and clothing account for about 40 per cent of total domestic exports, 45 per cent of the output of the manufacturing sector and 43 per cent of em-ployment in the colony.

Restrictions

Other Hong Kong manufac-tured goods such as toys, elec-tronic devices, watches and clocks also face restrictions but these are not as severe. To talk of protection this year in Hong Kong is therefore to talk of clothing and textiles.

But while Hong Kong's nego-tiators do not expect a return Woven blouses, for instance, to the liberal trading conditions was made such a category when prescribed by the General Agremeent on Tariffs and Trade and rely heavily on the exist oped tence of some kind of international arrangement to pro-vide an orderly market, they plan to resist any further re-

The colony's general posture at the talks, Sir Philip Haddon-Cave, the financial secretary, said recently, is to attack

certainty on our side."
For Hoog Kong's textile in-dustry, the threat of a greater come at a worse time. After a shortdived boom in late 1979. both the spinning and weaving sectors were hit by a bad slump in their markets and competitionfrom other south-east Asian

At one point the price of cotion yarn fell below the cost of raw cotton. The Govern index of textile produc tion, based on a figure of 100 1973, shows a high of 130 the fourth quarter of 1979 d a return to 100 in the third charter of 1980, the last period r which figures are available. The slump has continued to eepen since that time and, illowing the Chinese New ear holiday on February 6, everal textiles factories did not reopen for business. The garment industry has one better, but only because it

has succeeded in moving into high-priced fashion clothes in to make more money from each item of clothing exported. Hong Kong fashions are being sold in increasing numbers by quality clothing shops around the world and have won critical acclaim in the last 12 months at fashion shows. The result in 1980 was that the value of clothing exports rose 15.7 per cent to HK\$22.45bn. Even so, the number of people employed in parment manufacturing fell by 10 per cent in the third quarter of 1980 compared with the same period the previous year.

The greatest worry facing Hong Kong industrialists in the renegotiation of the MFA is

the suggestion put forward by

definite limit to the amount of developed countries actually exports they would tolerate from all developing countries suffered a decline of 10.5 per rather than set limits for each of the developing producers as developed countries for further developed countries actually suffered a decline of 10.5 per cent over 1210 where small developed countries actually suffered a decline of 10.5 per cent.

At the same time, they would provide more favourable treatment to smaller developing countries at the expense of such countries as South Korea, Talwan and Hong Kong, which are defined as newly industrial-

Hong Kong, naturally, feels it would be caught in a squeeze between the newcomers and the existing manufacturers in developed countries, who find it easier to break into each other's markets than producers in developing countries, and who still account for the largest bulk of world production textiles and garments.
Trade statistics collected by

the U.S. and the EEC show that 75 per cent of textile products shipped to developed countries come from other developed and that the developed country US\$33bn world exports of textiles between 1977 and 1979 came to nearly 70 per cent compared

with roughly 30 per cent for developing countries. Even where Hong Kong, South Korea and Taiwan have had their exports in certain categories limited to give newcomers an opportunity, the benefit has often been taken by

the MFA was renegotiated in

restraints in include tying imports to the growth rate of consumption scaling imports down in times

In the view of Hong Kong industrialists, such schemes cannot work because the trade is too cyclical and too oriented to rapid changes in fashion to be properly monitored. They fear any imposition of such schemes would give the developed countries carte blanche to use outdated economic statistics to impose yet more restrictions.

That suspicion is particularly strong where the EEC is con-cerned, because it was the EEC that demanded several concessions in the 1977 renegotiation of the MFA which effectively resulted in a reversal of the original MFA goals of liberalising world textile trade.

The crucial change allowed the developed countries to make reasonable departures" from MFA quotas in case of pressing import problems. The result was a number of highly restrictive bilateral agreements that set generally lower import levels than provided in the MFA and limited the flexibility of developing countries to change their exports in line with fashion trends.

The EEC has also annoyed that the Hong Kong Government was not doing enough to 1977. But in 1978 the devel-prevent manufacturers from countries oped countries exports of falsifying certificates of origin. offensive.

Under this scheme the devel- woven blouses climbed by 28.9 Hong Kong administrators, fo oped countries would set a per cent over 1976 while small their part, contend that such their part, contend that such breaches are rare and the guilty manufacturers are instantly

They react in equally strong terms to charges that exports from developing countries are principally to blame for the loss of jobs in the textiles industries of the developed countries and

in their case.

A UK Economic Service working paper in January 1979 estimated that 110,000 jobs had been lost in Britain's textiles and clothing industries between 1970 and 1975 while the increase in domestic demand should have increased the number of jobs by 118,000.

But the paper also showed that improvements in technology eliminated the need for 143,000 jobs, leaving 85,000 jobs lost to imports, of which from imports

Roughly apply to a step further, Hong Kong pro-ducers argue that more than 80 ing countries through purchases of fibres, dyes, machinery and

It is with statistics of those kinds that Hong Kong's nego-tiators are making their case at the MFA renegotiations.

because they are not convinced Hong Kong officials by claiming that their statistics will win the day when domestic pressure groups countries

Lucrative trade in luxury goods

SMUGGLING

CHINA AND Hong Kong are beginning to co-operate in an attempt to curb the booming growth in the snuggling of televisions, cassettes, electronic goods and other luxuries across from the British-run territory to China's Guangdong province. Since Hong Kong introduced stiff measures last October to deter illegal immigrants, the "snake boat" operators have turned from their lucrative trade in human beings to one in luxury

The problem of a duty-free port like Hong Kong is that it is not an offence to export high-value goods, "Smuggling" is not a term which crops up frequently in Hong Kong law.

However, to preserve good rewith China, authorities in Hong Kong have stepped up prosecution of smugglers' vessels, which frequently masquerade as fishing boats. They are not being charged with smuggling, however, but with such offences as sailing without lights, having unmanifested cargo or carrying goods without a cargo licence. Penalties can be stiff, including confiscation of goods and a term in prison. Eight young several countries for a global- term in prison. Eight young Hong Kong territory though glers once they enter China's ised system of import restraints. Chinese from Hoi Fung county virtually under the noses of the territory.

recently found themselves in Chinese guards, I watched a By the very nature of the side

statistics. sources say that smuggling has Hong Kong dollars a shipload and at several billion a month.

A certain amount of smuggling has always gone on across the border. The Chinese have long tolerated carriage of goods by the people who live on the farms and work on the Hong Kong side. Such trade is small, limited by what the peasants can carry, and regarded as part of the privilege of having land within Hong Kong's jurisdiction.

What has been happening recently is much bigger stuff. Sha Tau Kok is the main border town — though village would be a more appropriate term and is shared between the New Territories of Hong Kong and China The actual boundary runs down Chung Ying street: on one side there are Chinese guards in green uniforms with their red flashes on the collars; and on the other side are Hong Kong police. A discreet distance further back are British soldiers the Queen's Own Highlanders on border patrol. But the local Chinese villagers can pass freely from one side to

prison for a six-week spell. The goods were loaded into junks magistrate specifically said he Television sets, stereo systems was giving a stiff sentence to were brought out almost by the deter other would-be shop load and made ready for the evening tide. On the other side the Chinese guards patrolled but gave no sign that usiness, there are few reliable they had seen what was going

Such is the Chinese hunger for consumer durables that the shops look more like mini warehouses rather than retail stores open for daily passers-by. that tourists normally buy, but there are few tourists as the border strip is a restricted area open only to people with special passes. In addition, the goods hardly ever leave their cardboard boxes, according to shop

One shop found the smuggler such good customers that it changed from a bakery to an electrical goods store. Another shop at one stage was selling 1,000 bolts of cloth at a time.

Sha Tau Kok is obviously a special case. Fishermen say that the Chinese have stepped up maritime patrols, and vessels entering Guangdong and Fujian ports are being subjected to frequent security checks. Com mune and customs officials have warned fishermen not to buy Hong Kong-made goods a they would be confiscated if caught, but the sprees go onjunks still load. Perhaps China does not have enough police boats to stand just off Sha Tau Down by the jetty, which is Kok and pounce on the smug

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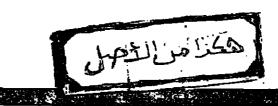
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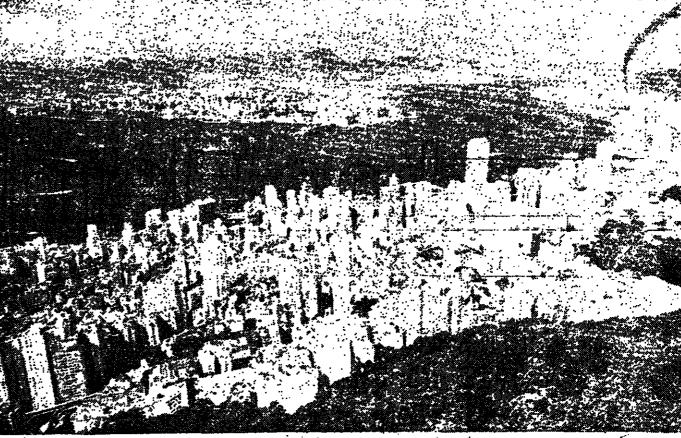
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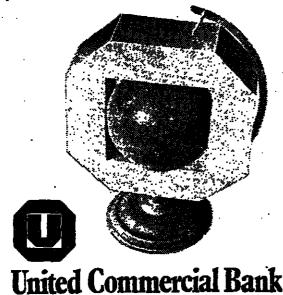


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Remarkable degree of stability

THE COLONY'S MANAGEMENT TEAM

CHARLES SMITH

CONSIDERING the number of leadership changes undergone during the 1970s by the two nations which mean most to it —the UK and China—Hong Kong's own Government has revealed a remarkable degree of stability and continuity during

the past decade.

Many of the top jobs in the Colony have been done by the people for five years or without a break, and those which have changed hands have tended to do so among a small group of highly experienced officials whose movements have looked remarkably like a game of administrative musical chairs. During 1981-82 there will, at long last, be a break in con-tinuity. The three most im-

portant posts in the Colony will have changed hands during a period of nine to 12 months and at least two out of the three will be occupied by newcomers. either to the government service, or to Hong Kong itself. The most important appoint-

ment-and the only one still to be decided out of the ruling triumvirate—will be that the new governor to succeed Sir Monifieth are said to new governor to succeed Sir Monifieth are said to Murray MacLehose, who retires been sounded out as successors to Sir Murray during the number of years but extensions of his original term. Sir Murray was the first pro-

fessional diplomat to occupy Government House and is regarded as having been a far more politically minded governor than any of the men who preceded him. Whether he should be succeeded by another even by a member of Hong Kong's own civil service is a topic on which opinions seem Colony's ruling establishment—

British Prime Minister. The basic criterion for choos-

ing a Governor, according to one highly placed local source, is that he should have a track record that inspires confidence in Peking, Westminster and Hong Kong-not necessarily in that order of importance. Direct experience of dealing with China is regarded as desirable though not

If the new man is a politician he should be acceptable to both British political parties. If he is a diplomat he should not merely be prepared to act as a channel for the views of the British Government to Hong Kong but should be able to function as a pressure point, absorbing and reconciling the views of all parties involved in determining the colony's future. The job, in short is a challenging one, far removed in complexity and sensitivity from that of a traditional

Proposals

Whether or not the Colony deserves a political governor, as some senior members of the present Hong Kong civil service have argued, interest in the job politicians in Britain seems to be limited. Both Lord Soames to have turned down proposals made to them. A former Minister of State for Foreign Affairs, Mr Anthony Royle, is also said to have been

approached without success. The choice of a diplomatic successor to Sir Murray at present seems to focus on one man-former British Ambassador to Peking, Sir Edward Youde (given that other possible contenders with eastern experience such as ex-ambassador to Tokyo, Sir although the final choice of a Michael Wilford, or the current

age before their Hong Kong Hong Kong's ability to stay age before their Hong Kong terms of office could be completed). Sir Edward is accordingly favourite for the job, although the possibility of other diplomatic candidates emerging between now and early next year cannot be discounted.

Hong Kong's ability to stay after in a competitive world is tempered by an awareness although the possibility of amongst Hong Kong's ability to stay after in a competitive world is tempered by an awareness although the possibility of amongst Hong Kong's ability to stay after in a competitive world is tempered by an awareness although the possibility of after in a competitive world is tempered by an awareness although the possibility of amongst Hong Kong's ability to stay after in a competitive world is tempered by an awareness although the possibility of amongst Hong Kong's ability to stay after in a competitive world is tempered by an awareness although the possibility of amongst Hong Kong's ability to stay after in a competitive world is tempered by an awareness although the possibility of amongst Hong Kong's ability to stay after in a competitive world is tempered by an awareness amongst Hong Kong's ability to stay after in a competitive world is tempered by an awareness amongst Hong Kong's ability to stay after in a competitive world is tempered by an awareness and although the possibility of amongst Hong Kong's ability to stay after in a competitive world in a competitive world in a competitive world appear in a competitive world and a competitive world and a competitive world in a competitive world and a c counted.

A life-long China specialist with a career stretching back to the post-war Amethyst Incident Sir Edward is certainly a man who should be able to "talk to Peking." His ability to play the part of head of government of the world's largest city state is obviously harder to evaluate. But Sir Murray himself was something of an unknown as a politician and administrator before the start of his highly successful term of office.

If the choice of a new governor to replace Sir Murray is being conducted in slow motion and—comparatively speaking— in a blaze of publicity, the appointment of a new financial secretary to replace Sir Philip Haddon-Cave, who takes over the position of chief secretary later this year, seems to have been made swiftly and with a minimum of public discussion. Mr. John Bremridge, the former chief executive of the Swire Group in Hong Kong, is thought to have been offered the job last summer and to have accepted almost immediately, although the appointment was not announced until after his retirement from Swire in December.

Mr Bremridge is said to have been handpicked by the governor and seems likely to be a financial secretary somewhat more to the taste of left wing members of Parliament in Britain than Sir Philip. A modest man with no particular pretensions to mastery of theoretical economics, Mr Brem-ridge believes that the Hong. Kong Government must begin to show more political awareness and that this need applies to the financial secretary at

Tokyo Ambassador, Sir Hugh least as much as to other offi-

Open approach

Bremridge's plans for Hong Kong apparently do not include anything so dramatic as running budget deficit in order to finance higher standards of social services. They do call for a more open approach to government than he feels his predecessor adopted.

Opinion about the appointment of an outsider as financial secretary seem to vary among the group of professional civil servants who will have to work with Mr Bremridge. One senior official, with responsibility for personnel appointments in the public service, says that Bremridge. ridge was quite simply better than any of the internal candidates for the post although there were men who could have adequately measured up to the demands of running Hong Kong's increasingly complex economy. This does not 'after the fact that some feelings may have been ruffled and that the new financial secretary will have to start by adopting a "lower posture" towards bureaucratic colleagues than his well entrenched predeces-

With or without such problems the appointment of John Bremridge would probably have marked a significant watershed in the way Hong Kong manages its internal economic affairs.
The changes will be more marked if Bremridge's stated belief in "open government' turn out to harmonise with the attitudes of whoever becomes the next governor.

The third major change in

Tokyo Ambassador, Sir Hugh least as much as to other om-leaders—that involving Sir Jack Cortazzi, would pass retirement cials. His confidence about leaders—that involving Sir Jack Cater's departure to head the Hong Kong Govern London office, and his replace ment as chief secretary by Sir. Philip Haddon-Cavefirst sight to be the interesting. Although nominally the most powerful man in 1 Kong after the governor; self, the chief secretary's has shrunk in recent ye those of the financial secre the governor expanded.

The tendency of Sir Mu MacLehose to be his own c secretary and to take a p ticularly close interest government postings are supposed to be the chief secretary's prerogative—is seen as a major cause of this change Almost equally significant his been the emergence of the financial secretary as an independent power answerable directly to the governor, in contrast with his original status as one among a number of senior officials of roughly equal status, all working under the chief secretary.

Hong Kong's top leaders he charges leaves in place the vast majority of upper and middle ranking government officials including the beads of such important branches and departments as housing, home affairs, education and trade and industry. The tradition of government by concensus which has been established during Sir Murray's decade of authority will presumably con-tinue under the new leadership as will the trend towards far closer and more frequent contacts between senior members of the Government and officials in Peking and Canton

For other effects of the new line-up Hong Kong watchers will have to wait until Mrs. Thatcher is ready to unveil the name of the new Governor, but it seems safe to predict that the changes, both in style and content, may be considerable.

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ADMINISTRATION

HARVEY STOCKWIN

WHILE Hong Kong has more rights of free speech in theory, and a freer Press in fact, than any of its neighbours, bar Japan, it essentially remains a more authoritarian polity than the other regional, newly indusd countries — Taiwan, South Korea or Singapore. Had the very modest degree of reform now in the offing for Hong Kong been advanced instead by, for example, President Chun Doo Hwan as the substance of South Korea's Fifth Republic, the proposals would have been widely criticised as a facade for autocracy.

It would be better for Anglo-Hong Kong relations if it was more clearly recognised both in Britain and in Hong Kong that not only is authoritarianism the must be. Whatever else has been achieved in Hong Kong's success story, in the realm of constitutional advance Hong Kong must remain wedded to a format that was already out of style in the British Crown colony of Ceylon by the turn of this century, and in India not long afterwards. Conversely, if Hong Kong continues to exist into the 21st century it is almost certain that the British Governor's Executive Council and the Legislative Council will be expressed of official and still be composed of official and appointed members only.

Elections

Conversely, were elections to the Executive and Legislative Councils to be instituted at any time in the foreseeable future it is almost certain that China would feel that the time was indeed ripe for ending Hong Kong's colonialism-by-consent. Hong Kong can be a showcase for many aspects of modernisation, but not for the virtues, and vices, of parliamentary in a Chinese setting. The unspoken trade-off. surrounding Hong Kong's con-tinued progress is that China's while British Democrats accept

continued authoritarism.
Sir Murray Maclehose, as
Hong Kong's Governor, diplomatically put it at Lord Carrington's press conference here last April, "I think it is our belief that the Chinese Government would not like a development Legislative Council). This does not mean to exclude the electoral process completely from Hong Kong, we are about to have district boards but elections to councils of real power for the time being . would not be acceptable

relevance of constitutional limits, and also its hopes for longevity, have all been illustrated by its sister-colony on the other side of the

Pearl river estuary. Macao, department but even so there After the revolution in Portugal, Lisbon tried to give the enclave back to China in 1974. Portugal alone. More recently the Portuguese tried to make Macao more democratic. Again, China manoeuvred to see that the experiment was still-bern. In both cases Peking acted with Hong Kong very much in mind. Repossession of Macao would be no great problem, but it would have gravely weakened confidence in Hong Kong, and therefore its ability to provide China with foreign exchange, and other benefits. Similarly "democracy" in Macao could be fairly easily controlled by the cohesive Macao Chinese community, which is already under China's influence, if not control. In Hong Kong, however, there is considerable diversity, little cohesion, a sizeable following

might lead. Peking's concern goes deeper. At a time when China has its small but not insignificant dissident problem—and when even some Hong Kong Communist periodicals not being are allowed to freely circulate on the mainland—a political free market in Hong Kong would present China with additional headaches. In the current political struggles within China, part of

the debate, neither for the first

nor the last time, hinges upon the relative merits of centripetal and centrifugal pulls and policies. A departure towards a substantively democratic Hong Kong would easily arouse Chinese fears of more centri-fugal drift. Just as the nationalists on Taiwan perform the useful function, for China, of restraining any drift towards independence, British authority, and British governors of Hong K restrain the likelihood Cantinese political assertiveness. Any watering down of that authority would therefore be viewed with the gravest suspicion, which would mean a deterioration in China's relations with both Britain and Hong Kong. Yet, if total "democracy" is

impossible for Hong Kong then there are grounds for saying that a degree of democracy is administrative system which worked smoothly when Hong Kong had a population of less than a million and only two major urban areas tends to creak and strain as it deals with over 5m and the rapid growth of several sizeable new towns as well as Hong Kong island and Kowloon. The complexity of Hong Kong's urban intensity means that the Government has to intervene more frequently remarks, Hong Kong's strict than in the past to try and demanding public opinion.

have been occasions when government action has lagged behind and, as over domestic China manoeuvred skilfully to rents comes only just absact of prevent this clearly feeling that Peking should have the right to decide on reversion not councils of real power, is greater consultation is essential Hong Kong bureaucracy in lejation to Chinese feelings Hong Kong.

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DE COUR

Sensitivity

This much implicitly admitted by green and white papers district administration, issued in June 1980 and January 1981 respectively. These propose modest reforms are aimed creating more co-ordinate and responsive administration "the time is ripe'. for the nationalists on Taiwan, for residents to share in and and altogether much uncercontribute their ideas to the tainty as to where real elections

ommunities.' So, by the end of 1981, and as an extension of earlier lower keyed administrative arrange ments, a District Management Committee (DMC) will have been set up in each districts on Hong Kong istand and in Kowloon, and in another Territories. These DMCs, som of which are already operating vants from the various govern ment departments respon for providing services in the district. The aim will be to improve the co-ordination and monitoring of Government administration in the area, and to activate it in the event of any pressing problems that may

number of District Boards (DB) will also have been set as better position to focus on which problems are pressing and District Boards, was include: The key.

unofficials);

partially-elected Hong Kong Urban Council who are respo ible for that area or, in the New non-elected Rural Committees: Plus an as yet unkno

It is this last element of ex tion that has attracted the gr portant reform, if its imple

HONG KONG XIX

Re-exports are at record levels

ENTREPOT TRABE KATHRYN DAVIES

IONG KONG'S entrepot trade entinues to set new records for rowth and to reflect its importance as a channel for China's trade with the outside world. frage, with the outside world. The value of re-exports grew from HK\$ 20bn in 1979 to HK\$ 30bn in 1980—a jump of 37 ger cent in real terms. The proportion of Hong Kong's total exports, represented by reexports also increased—from 26 per cent to \$1 per cent the highest recorded since 1961. in 1980 China became both the biggest source of and market for Hong Kong's reexports. Last year goods

originating in China increased by 48 per cent and accounted for 28 per cent of the total value of reexports. The value of goods re-exported in turn to China leapt by a staggering 253 per cent, although this amounted only to 15 per cent of the overall market.

Figures for the first quarter of 1981 tell a similar story. The value of goods originating in China grew by 69 per cent compared with the first three months of 1980 and re-exports to China increased by 191 per cent over the same period. Local economists point to a

number of factors which have helped to confirm the importanee, of Hong Kong's traditional entrepot role—the Colony's own manufacturing capacity and efforts to diversify its economy notwithstanding. For political reasons there are

still countries with which China international distribution net- 1997 and the expiry of the lease denials) trade links with all three countries are constantly

According to Hong Kong figures last year saw HK\$ 999m of goods originating in China flow through Hong Kong to Indonesia and HK\$ 391m to Taiwan. In a giant leap HK\$ 1.2bn of goods originating in Taiwan found their way to China via Hong Kong last year. The figure officially recorded for 1979 was HK\$ 107m.

While China is anxious to increase its trade with Europe and the mainland. Chinese manufacturers lag far behind their Hong Kong counterparts in packaging, labelling and ertising their products. In addition China still lacks an

cannot trade direct—Taiwan, work and does not have the on the New Territories loom South Korea and Indonesia. Yet flexibility of South-East Asian large in the thinking of the with world markets.

performance by falling to develop its own international network for product lines. Meanwhile, Hong Kong middlemen are the beneficiaries, even Japanese trading companies and frequently have to enlist the belp of their counterparts elsebusiest port, while Peking, failhas not so far adequately modernised and extended its adequately modernised and significa extended its own port facilities. indices:

Hong Kong businessmen are naturally positioned to respond more swiftly to changes within China than their counterparts in New York and London. Recent decisions in Peking, involving the postponement of largescale projects and a return to decision-making, have also been felt in Hong Kong. Traders who in 1979 and 1980 were suddenly faced with a proliferation of organisations purporting to represent various and market for precious stones Chinese enterprises have noted return to more conventional and monolithic methods for do-

ing business. Hong Kong has clearly not suffered, however, from the disillusionment of some foreign traders with Peking's latest economic about-face. Indeed its obvious sutiability for plugging

entrepreneurs of all kinds.

into-the China Market, as well as its strategic advantages as centre for East and South-East Asian business, make it extremely attractive for farsighted American and European None the less, the shadow of

despite official obstacles (and Chinese businessmen in dealing trading community. Some foreign diplomats note that con-tinued uncertainty is having an Some observers believe, in- tinued uncertainty is having an deed, that China may be doing injurious effect on Hong Kong's long-term damage to its export general development and growth —although, they say, crucial juncture will be felt in 1984 when businessmen may no longer be able to acquire 15year mortgages for new buildthough they cannot match the ings. an optimum pay-back breadth of expertise offered by period in the Colony. Speculation

There is some concern, too, where in the region. Moreover, that if Peking decides to tam-Hong Kong is the world's third per with the free market economy-by perhaps subjecting ing to foresee the extent of the decision-making to bureaucratic upswing in its external trade. controls—Hong Kong's role as a thriving entrepot could wither and die. But such specuexternal trade, has not so far lative thinking is not so far significantly reflected in trade

> Hong Kong's re-exports are Japan, Taiwan and the U.S. The value of re-exports from Japan grew by 73 per cent in 1980, while those from the U.S. improved by 38 per cent. Re-exports originating in Japan include electronic goods, machinery, watches and clocks, telecommunications equipment, cameras, motor cycles and cars. The U.S. is both a source of and pearls and uses Hong Kong as a centre for China and the rest of the region

According to the economic background statement to the 1981-82 budget, most goods reexported from Hong Kong fall into the consumer category, followed by raw materials and semi-manufactures. That these categories together made up re-exports is an encouraging development for Hong Kong. even if the Government would prefer to see signs of greater self-sufficiency emerging in the

A Vertical Setup from fibre to garments



Principal Subsidiaries

Spinning/Weaving East Sun Textile Co. Ltd. Oceanic Cotton Mill Ltd.

Sarment Making Park Garments Ltd San's Cothing Fry. Ltd. San's Cothing Fry. Ltd. Macan San Lee Clothing Fry. Ltd. Winner Co. (HK) Ltd.

Fibres & Fabrics Industries Ltd. Hilwin Enterprises Ltd. Macao Woollen Spinners Ltd. Onental Pacific Mills Ltd.

Holwin Enterprises Ltd. Macau Knitters Ltd. Macao Knitters (HK) Ltd. Miami Knitters Ltd.

Key decisions awaited on sea and air facilities

HONG KONG depends a great deal for its economic liveli-hood on its excellent transport and telecommunication links with the outside world. But soon the authorities will have to make vital decisions. out improving air and sea about improving air and sea facilities and the shape of those decisens will depend critically too on how much finst can be placed in the extending relationship with

A decision will have to be taken on whether—and f so, where to build a new airport to replace Kai Tak in the heart of downtown Kowloon. The container port a Kwai Chung has almost reached the limit of its original rated capacity and there are demands for extra lerths.

Kai Tak international airport is one of the busiest in South-East Agia, with an average of 18,000/passengers a day. It's facilities are being extended and impoved under a HK\$ 600m long-term development programme which will be finally com-

pleted at the end of this year.
The problem if that it is not easy to go much beyond that.
At the moment the 6.6m passengers cooling and going each year ar well within the hirport's "12h capacity —fhough busy times the staff are stretchd. But on some projections the airport will reach its 12m passengers reach 15m a year by 1990. Moreover cargo traffic has reached 258,000 tonnes tere was hardly any though st year—and could squeeze out passenger traffic unless aditional capacity is found. This is just not pos-sible a Kai Tak as there is no spac left.

For ome time the Governbeen studying rather cautidaly the possibility of buildig a new airport on the island of Check Lap Kok-nortfof Lantau Island Cons are looking at a agerplan and at civil ageering design studies. ina is involved because he time the airport is plete, even if the decision saken very soon, 1997 will pressing hard. Bankers l look for a way of amor-ng the U.S.\$1.4bn or more t of a new airport before 97 when the leases expire
1 much of Hong Kong's
1 mich of Hong Kon and than it would have to say for a new airport, but wen then it has to build the irport first before it can

rouit from turning Kai Tak ver to the developers. And

if China is going to reclaim

Hong Kong the developers may not be interested.

One reason for the Governent's hesitant approach may be the hope of reaching agreement with China on the continued existence of Hong Kong before it commits itself to the work. In this way longterm commercial funding could be set up safely without having to dip into its reserves — considerable though these are. reserves:

There is a school of thought, however, that argues that if China's co-operation is to be obtained it might be better to build a joint airport to meet the needs of both communities. Chek Lap Kok

COMMUNICATIONS

KEVIN RAFFERTY

would of course not, be subject to the height restrictions or the night time curfew imposed on Kai Tak and it would also free much of Kowloon from restrictions which would both enhance property values and provide more housing and office space. But Chek Lap Rok depends on bridges being built to Lantau and from Lantau to the Kowloon main-land. In addition atmospheric turbulence is said to be And this year some univerlecturers suggested that island could be earth-

There are some who urge that a better site would be along the shore of Deep Bay, which is longer, flatter and would allow a bigger runway to be built if necessary. Deep also offers continuous Territories and Kowloon. The only problem is that the entire shoreline is in China. Though it may seem absurd

to suggest that Hong Kong should build an airport in China, if co-operation between Hong Kong and the special economic zones in China is to flourish then an act of confidence in the co-operation o the two communities could be the building of a joint airport which would give easy access to Shenzen, Shekou and Hong Kong while freeling Kowloon from height and noise problems.

Kwai Chung container port is also experiencing congestion. It is the third biggest in the world, with 1.465m con-tainers of 20 foot equivalent (TEU) shifted last year. Half of Hong Kong's trade is containerised, placing it after New York and Rotterdam in container volume. Because of land shortage, Hong Kong's containers are already stacked 10 times higher than containers at New York and three times higher than at Rotterdam.

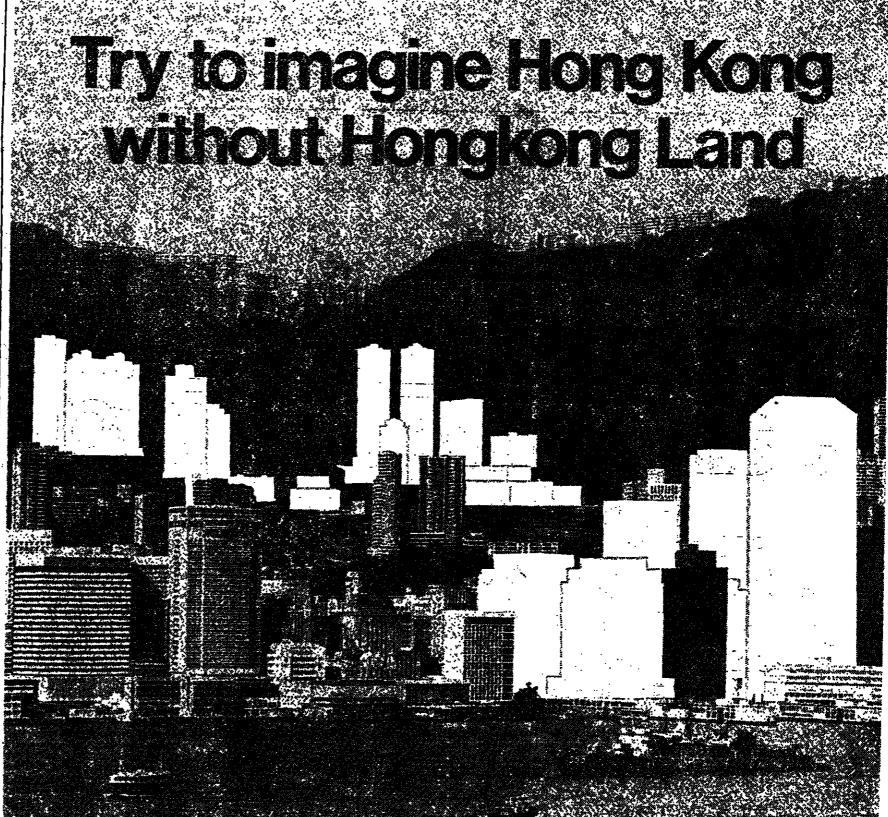
Opinions are split as to whether another port is necessary. When Kwai Chung was opened its capacity was set at 1.6m TEUS. Now some shippers helieve it is possible that 2.4m TEUS could be handled by the same port given reallocation of land and better road access. Others disagree. Mr W. B. Seaton, president of American President Lines, bas said that Kwai Chung has reached its capacity and become inefficient.

Consultants have finished a report for the government about whether any activities, such as container stuffing, could be transferred elsewhere. Container users are on the whole not very keen because it would mean two or more journeys for goods before reaching Kwai Chung, congesting the roads even more. In addition exporters could run into delivery problems as shipments frequently arrive from the factory only hours before the vessel is due to sail. Hong Kong exporters are used to working to the finest of dead-

The problem has particular interest because much of the come through increasing entrepot exports of Chinese goods. Secondly, costs have risen. When Kwai Chung was built in the early 1970s the 25-acre first berth cost HK\$155m to build including equipment. By 1974-75 when the smaller No. 5 berth was built it cost HK\$200m; more recently the cost of building a 500-ft quay was HK\$200m.

There is virtually no land to spare at Kwai Chung --apart from 25 acres of urgently needed back-up land to be obtained from filling in a ravine. Given the spiralling costs any new container port would not be able to compete with the cost, and therefore charges, of the existing Kwai-Chung operators. The private owners of Kwai Chung berths would be unlikely to tender for a new port; nor on past form would the Government be interested on the principle that it has better things to do with its money.

There is a view that if Chinese goods are increasingly being transhipped through Hong Kong — and this seems likely since China has no alternative deep-water location and lacks the experience to compete with Hong Kong - then China should help pay for a new port.



Hongkong Land's portfolio of properties in Central District, Hong Kong.

Constitutional advances

interest that they should perhaps have done, and must do, if the changes are to be mean-ingful.

Elections to the District Boards in the New Territories will be held, in one or two member constituencies, in March next year, and in Kowloon and Hong Kong Island in September 1982. The District Boards will he essentially advisory and con-Sultative and will not control the DMCs, but if the Boards are dissatisfied with the response of the DMCs to their advice, they will have recourse to key figures in the central govern-ment. Essentially the DBs will

be concerned with local issues. Initially the Government will appoint officials to chair the Boards but "as soon as prac register and only between one ticable" the Boards will elect one of their own as chairman, fraction have then bothered Another change is that future elections to the Urban Council will also be on a constituency basis, while the number of elected urban councillors will be indiceased to 15 as will the humber of appointed members. These changes take effect in when just over a million were

CONTINUED FROM PREVIOUS PAGE

to assess whether these changes 1 per cent of those eligible. will respond well to Hong Kong's needs. Two points, however, can be noted. First, even as the DMCs seek to make the administration more responsive so their effectiveness, and that of the DBS, will depend in part on how Hong Kong bureaucrats themselves respond, given that and this low degree of attractiveautocratic habits are fairly well ingrained.

Second, the effectiveness of the District Boards will depend always been, the Urban Council in large part on how the public responds to the opportunity of standing for election and voting. The record on this score is far. from encouraging, if past Urban other Council performance is any guide. Only a tiny fraction of those eligible have bothered to quarter and one third of that actually to vote. Thus in 1971 when Hong Kong's population was 4m, an estimated 570,000 people were eligible, 37,788 bothered to register, while only

elections to be held in March qualified to vote, 31,481 regist- the event of a change of govern-Clearly it is not yet possible it a voter turnout of just over wiser not to get involved at all."

All of which may well indicate that the ordinary Hong Kong resident is better aware of the Colony's political limits than those advocating more radical electoral reforms. The poor turnout secures the election of members of modest competence. ness in turn generates low turnouts. Given that "real power." explicitly remains where it has elections appear to many to be a charade in which it is not

worth participating.

The kind of person who, in other colonies, might be attracted to political opportunity, however modest, is more likely in Hong Kong to be fully engaged in some form of business enterprise. Additionally, as a former director of Home Affairs once observed, "many able local people may still think it unbecoming to be associated too closely with what they still regard as a foreign govern-10,047 voted. ment. Moreover as taking a high The "best" year was 1979, political profile now might turn ered and 12,426 voted to make ment, many may feel that it is

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Banking Corporation

Work begins soon on third stage

MASS TRANSIT SYSTEM

MICHELLE MISQUITTA

WORK WILL shortly start on the third and most ambitious stage of Hong Kong's new underground railway. In terms of the technical demands, the costs and the criticisms, this link has attracted the most publicity-but for international engineering and construction companies it offers a great oppor-

metre stretch on Hong Kong island, extending along the northern shoreline from the Western Market to Chai Wan in the east. When the Island line, as it will be known, is com-pleted in 1986, Hong Kong will have an underground system of almost 40 kilometres, built in three stages. These are the Modified Initial System, officially opened in February 1980, running 16 kilometres along the of Kowloon and under the harbour to the central dis-trict of Hong Kong; the Tsuen Wan extension, 10.5 kilometres long, which is expected to open ahead of schedule early next year and will run from Tsuen Wan to join the existing system at the north end of Nathan road; and the Island line.

The fiercest criticism has been levied because the Mass Transit Railway (MTR) aiready has debts of HK\$12bn. It lost HK\$696m last year thanks to higher interest charges and lower than expected revenues. Some critics doubt that the railway will ever pay and say that it is politics rather than sensible business that is driving the MTR

Spending on the Island line, estimated at another HK\$7bn in 1980 prices, will probably rise to HK\$9bn or \$10bn and all told the corporation will have spent HK\$20bn in just over 10 years. The corporation proposes to cover the costs by an increased equity contribution

from the Government and from more controversial property developments. Funds have been set aside by the Government for the equity to go up to HK\$5.5bn from the present HK\$2bn, of which HK\$1.176bn has been paid up. Mr Norman Thompson, the MTR chairman, says that the day when the railway makes than sooner " but it will come.

It is ironic that even when it is completed the MTR system, including the Island line, will be less than the 52.6 kilometre system originally approved in sortium agreed to build for a fixed cost of HK\$5bn, but then pulled out without finalising the contract when inflation began

Controversy

The Island line will be the system because it calls for new and more costly construction methods. Mr Thompson explained that even in crowded Kowloon it was possible to build by cut-and-cover methods. But the island corridors are so narrow and already congested with commerce and commuters that most of the work will have to be done by a bored end-to-end tunnel. The terrain is more difficult because it consists not only of granite, but reclaimed and swampy land. All of this will force the costs up, adding to the main controversy.

To make the Island line pay the MTR is banking heavily on property development. Since almost all of the Island line stations will be built off the main roads they provide the opportunity to build new tower blocks with office and shopping complexes which are highly profitable. The critics say that is not banking, but gambling dangerously on the property boom which could turn to bust.

The MTR hopes to persuade contractors to provide export Construction methods." companies from Europe, Japan extension will be completed

HONG KONG ISLANDS UNDERGROUND EXTENSION

and North America are expected

to compete keenly.

There has already been considerable competition from property companies for the chance to develop the station sites on the Island line. Developers from Japan, Singapore and India have expressed interest as well as those from Hong Kong. Agreement has already been reached with Hang Lung Develment on several sites and the multibillion dollar deal is des-cribed by the MTR as "one of the largest associated with property development ever reached in Hong Kong." The deal is that the developer outs up the front end cash, takes the risks and the profits are split, on average on a 50:50 basis. Mr. Thompson is confident that the property developments will more than meet profit expectations. Nevertheless, he conceded

that the immediate financial position was not as good as expected. Last year interest pay-ments were HK\$300m more than expected and revenue HK \$50m lower. For 1981, interest costs alone may prove more than the revenue from passengers unless there is a huge spurt in demand from the price-conscious travelling public. The problem is that the

technical success of the MTR has not been matched by an equally appreciative public. The railway is still having teething problems. Electrical faults still credit type loans at below inter-national market interest rates. the MTR was "getting a grip These should account for about on them and turning to pre-40 per cent of the HK\$5.5bn ventive rather than firefighting



A section of the Mass Transit Railway

ahead of schedule, a tribute to long bus quelle and be packed the engineering and managerial building the railway.

By the end of May the daily number of passengers was between 550,000 and 600,000, thus there is doubt about whether the railway will meet its targeted 800,000 passengers by the end of the year. Optimistic targets for 1m passengers a day by the end of 1981 were abandoned long

The Hong Kong commuter is

with oozens of other sardine the swifer smoother MTR ride through Kowloon, Cross-harbour journeys on the MTR are four times more expensive than the expensive as buses. Rides in Rowloon can cost twice as much as the equivalent fiat-fare bus

Things may begin to pick up when the Tsten Wan extension opens to sense a crowded community and offer a greater variety of longer rides. The MTR might lave been better used if there had been more feeders for the railway rather than in competition to it—but these are matter for Government policy. It Thompson expressed criticism of subsidies for the Kowloon rus company and reckoned that if bus fares were slightly high -on average 10 cents more in Kowloon there would be a trift to the MTR which would help it to catch up with its reenue fore-He rejected the ide that the

original fares were too high. They were set on a naximum revenue basis and eperience was proving that the were bringing the maximum evenue.

To try to entice new passengers the Corporation is now offering "stored value "tickets in denominations rangin from HK\$50 to HK\$200 and ofering reductions of HK\$2 to IK\$15 as well as cheaper orpeak travel. In addition, hallprice tickets for children and stitents have been introduced. Mr Thompson is confider of the future of the MTR in site

of the criticisms. Inome would be boosted by the toperty developments and per the years the capital intense nature of the system will bein to pay off. With a fully aug-mated system, including codd plastic tickets issued collected by machines, and win relatively low running costs and low overheads the MTR wh have the edge over other tranport systems and will pay it way, even if it is later than sooner.

Commuters hit hard rising costs

TRANSPORT PROBLEMS

MICHELLE MISQUITTA

THE MASSES of Hong Kong's millions of commuters have in the past two months suffered a series of blows where it hurts most-in their pockets-as daily travel costs have risen sharply. Bus fares rose by 30 per cent, travel on the Mass Transit underground railway became a flat 20 cents more expensive (7 to 20 per cent higher); and tram and ferry fares are shortly to rise, probably by more than 20 per cent. Moreover, the Transport Secretary, Mr Alan Armstrong-Wright, has warned that more bus fare increases are probably "inevitable."

The authorities held their breath waiting for an explosion. The increases are far higher than the cost of living, more to the point, they eat away at the increases in pay packets. So far there has been rumbling and grumbling but sullen acceptance, but the authorities will have to provide better services or they could face big trouble. Transport is probably the most touchy subject for the ordinary Chinese of Hong Kong. The main talking point of the man in Kowloon city, in a crowded Mongkok street or in the Causeway Bay traffic jam, is not the renewal of the Hong Kong lease or the prospects of doing business with China or who the next Governor of Hong Kong will be or any of the other baffling questions taxing the great minds that run the colony, but the more mundance question of getting to work as cheaply and efficiently as

It has always been a sensitive issue. When ferry fares went up in the mid-1960s there were riots. When plans were made for bus fare increases this year, protesting organisations collected 1.4m signatures.

It is easy to sympathise both with the travelling public and with the authorities. Hong Kong is a planner's nightmare. There are 52m people packed into a habitable 200 square Hong Kong Island from Kowloon and the huddle of hills of cross-harbour granite present complications. Competition for space from factories, schools and houses. roads occupy a smaller part of ingly being heard is that the the usable land area than in only solution to the traffic proany other crowded urban metro- blem is for the Government to

polis. Total road space is only introduce curbs on the use of 1.161 kilometres. Most Hong Kong commuters private cars. Cars account for about 10 per cent of the daily

travel by bus-half of the 7m journeys that are made each day by public transport are by bus—but other modes of trans-port carry mindboggling num-bers of passengers. Nearly 1.5m journeys are made daily on the Public Light buses (minibuses), over 800,000 people travel by taxi, more than 550,000 travel by underground railway, 510,000 by ferry, 444,000 by tram and cable car, and 50,000 by train.

Transport is the favourite area for critics of the Government. In spite of costly case studies and rising spending the planners are still ensnarled in a maze of traffic jams, scemingly unable to find a way out,

Congestion

Way back in 1964, Mr (now Sir) Yeut Keung Kan told the Hong Kong Legislative Council: Many people think that increasing congestion will limit the number of cars and keep it at a manageable level. But experience shows that this has not happened elsewhere and there is nothing to suggest that Hong Kong is likely to be an exception. We are, in fact, warned that the rising tide of cars will not put a stop to itself until it has almost put a stop to the traffic. . . . " As congestion increases, and

journeys by public transport get slower, more and more people are going to turn to private cars, thus adding to congestion and our traffic and parking prob-

At that time there were only 50,000 private cars; now there are more than 300,000 motor vehicles, of which 200,000 are private cars. Car registrations are increasing at nearly 30,000 a year. An index of how car owner-

ship has eclipsed all the esti-mates, even the wildest of them is the cross harbour tunnel. When the four-lane tunnel was opened in 1972, people said it could not possibly pay. The tunnel quickly made a profit and paid for itself. It is being used at more than 110 per cent of capacity with long queues, especially at rush hours when even the multi-lane approaches miles. The great divide of the are choked and traffic blocks deep natural harbour separating other through roads. There is now talk of the need for another with horror at the cost of its construction.

The argument that is increas-

passenger loads, yet motorists are an influential sector. Busand tram-only lanes were introduced in some busy corridors of Hong Kong island, but these met with howls of protest from motorists and the extent and hours of operation of the lanes were reduced under pressure. Penalties in private car use. such as savage increases in licence fees and parking charges, have been discussed but the Government seems reluctant to consider such firm measures. Ownership of a new car is still a status symbol and Hong Kong probably has more Rolls Royce cars than London. All the time the pressure on the roads grows.

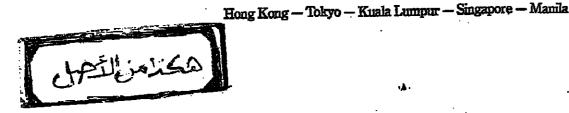
A dilemma faced by the

planners is whether to force curbs on car use first or whether to improve public transport first. At the moment, public services can hardly cope with the loads they carry. The ordinary daily commuters wait ages in long winding queues. CONTINUED ON NEXT PAGE



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HONG KONG XXI

Impressive increase in primary and secondary schooling

EDUCATION KATHRYN DAVIES

EDUCATION IN Hong Kong is about to undergo a qualitative them a target for parental change, but whether the Governambility sanction a programme sufficiently radical to satisfy its critics remains open to doubt.

There has been an impressive increase in the number of local straints attending primary and secondary schools in recent years. According to government figures almost all those eligible for private, government and government-aided primary schools-more than 550,000-are currently enrolled. Between the ages of 12 and 14 the proportion is 92.9 per cent. Almostper cent stay on until the age of 16.

education—something the two universities and the highly successful Polytechnic cannot hope to satisfy. At the same time some teachers argue that academic standards have in fact. fallen: that the Government lecks an educational philosophy; refuses to allocate enough teachers to both primary and secondary schools and consis-tently underestimates Hong Kong's manpower requirements. thus failing to make adequate provision for higher education.

Strong influence

Hong Kong's educational system is, perhaps of necessity. a complicated one. The British colonial influence is strong. The Anglo-Chinese schools where English is the medium of instruction for most subjects are popular with Chinese parents. who see English as the Langauge of economic advance-

But some educationalists, notably those whom the Rev. Joyce Bennett (a headmistress and vocal critic of Government policy) calls " educational idealists and theoreticians," argue that more emphasis should be given to Chinese language education. They say that Hong Kong children from a purely Chinese-speaking background are at a disadvantage in a highly competitive school to study in Britain; last year system where they are made to the number was only 2,688 - tee's findings goes before the demics spend time in Hong Kong learn subjects like mathematics a drop of more than 40 per cent. Governor, this month. Most higher education institutions and and geography in a foreign at the same time the number educationalists expect the com-

schools — the leading Anglo-Chinese — is itself a bone of contention. Despite the fact that children are no longer selected for secondary school by academic achievements, certain schools acquire the kind of reputation which makes

The Rev Bennett (one of three women ordained in the Anglican church since Hong Kong was given permission to differ from Canterbury 12 years ago) argues both within the Legislative Council and outside it that while the Government's school-building programme is very impressive, its main objectives have already been achieved. She cites a rise in delingurary among 16-18-year-bide. olds as evidence that teachers surge has brought a in both primary and secondary demand for further schools, faced with large classes, do not have the time to deal with children on an individual basis.

She sees the main issue as the need for more qualified teachers. Although Government educational spending has risen substantialy since 1977-78, from HK\$1.7bn to HK\$2.5bn in 1979-80, Miss Bennett claims that the proportion of Govern-ment spending devoted to education has decreased over the same period, from 21.1 per cent to an estimated figure for 1981-1982 of 14.7 per cent.

Several Government critics argue that if local civil servants' allowances for the overseas education of their children were to be abolished, the Government would release sufficient funds to boost the quality of education in Hong Kong itself. Miss Bennett calls these allowances "a disgrace," but it seems unlikely that the privilege, enjoyed by British and Chinese civil servants alike, will be abolished.

The flow of Hong Kong students to Britain has dropped dramatically, however, followdecision to raise fees for overmon Market countries). In 1979 technical education as one 4,648 students were given visas

55 per cent — from 2,500 to nearly 4,000.

future economic and cultural links between Hong Kong and London, say teachers and civil servants. Real resentment at the British decision was fuelled by the belief that in theory, at any rate, students from French colonies could qualify as home students in Britain, as a result of European community con-

tion institutions. Although 60 per cent of those who take advanced level GCE will reach a sufficiently high standard to meet normal university requirements, only 11 per cent will be able to enter the (English language) Hong Kong Univer-sity and 6 per cent the Chinese full-time, part-time and evening courses, will only accept one applicant in eight on its full-time courses and one in five as evening students.

There is generally agreed to be a need to double the number of higher education places over the next few years. The former Director of Education, Mr Kenneth Topley, is currently chairing a committee to review Hong Kong's post-secondary and technical education. The committee's findings are expected to reflect the concern of the 1979 diversification committee report that present targets for the growth in student population have been set unrealistically low, at between 3 and 4 per cent annually (1 per cent in the case of the Polytechnic). The difficult task of trying 'ס יייו מי the needs of Hong Kong Polytechnic on carefully planned students with the demands of projects. The further develop-industry and commerce. ment of so-called distance learnindustry and commerce.

Some employers are worried that if there is a substantial increase in the number of places available for students at higher level, there will be a fall in the numbers of children applying to the five technical ing the British Government's institutes which offer craft and vocational training. seas students and abolish the two employers would like to right of foreign children to make schools into little qualify as home students at factories" says Mr Topley, who universities (except for Com- also sees the "humanising" of his priorities.

A final draft of the commitgoing to Canada increased by mittee to recommend an tri-

sities (although not the con-This loosening of academic struction of a third) and the ties with Britain bodes ill for creation of a second Polytechnic to complement the highly successful campus in Kowloon. At the same time the Polytechnic will transfer some of its technical courses to the institutes and concentrate on offering degree courses and on industry and commerce.

The Polytechnic's Director, cessions.

The issue has highlighted the chronic shortage of places in Hong Kong's own higher education institutions. Although 60 enables students to gain experience of both group pro-jects and industry.

The apprentices ordinance which applies to more than 36 trades, requires employers to release their apprentices for re-levant part-time day-release Dr Legg expects the University. The Polytechnic, ordinance to be expanded to in-which has 26,000 students on clude banking and insurance. The gradual development of "sandwich" courses is extending from textiles to other areas

Advantage

The advantages of projectrelated research include the chance for teachers to step out of theory into practice—" working at the boundaries of their subject " says Dr Legg-as well as making expertise available to industry. It also has the advantage that once a manufacturer is convinced of the commercial viability of a research project he is almost certainly likely to fund it.

Historically Hong Kong has not been much interested in research but things are changing Topley committee has also the and more employers are showing an interest in working with the ing, using educational technowould also help to meet Hong Konn's economic needs. Dr Legg thinks, and ironically, the difficulties posed by the in-crease in fees for overseas students in Britain could have a beneficial side effect.

UK universities faced with declining student numbers are coming to Hong Kong to offer academic concessions to suitable candidates. In return, says Dr Legg, a swap arrangement could he regotiated, whereby UK aca-



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Dilemma for transport planners

CONTINUED FROM PREYIOUS PAGE

When the buses come they are Island, the Kowloon Motor Bus crowded beyond capacity with Company (KMB) runs buses in people packed inside standing Kowloon and the New Terrion the stairs and on the upper tories. The two jointly serve

In an attempt to relieve con- New Lantau Bus Company gestion the bus companies are which operates on Lantau trying out new British-built Island is much smaller. monster buses. These are only Last year the KMB and the off louger than the average CMB submitted applications London bus, but can carry up for rises in fares averaging 100 to 260 people compared to the per cent and 30 per cent respecordinary Hong Kong bus load tively. This, they said, was of 146, thus moving two lots of required to meet operating people for the cost of a single costs for fuel, wages, main-carrier. They have, however, tenance and expansion in sercaused the cynics to ask if the vices. The Hong queues of people will have to Government approved a 40 per

This has been seen with the Mass Transit Railway which cuts expensive than the buses. Once loud public outrage at this use the initial riding joy was over, of the taxpayers' money.

The initial riding joy was over, of the taxpayers' money.

As Hong Kong is also a terripreferred to queue for buses

Motor Bus Company (CMB) runs services on Hong Kong fares, even after the projected

the cross-harbour routes. The

wait twice as long for the cent increase for the KMB and monsters to come.

30 per cent for CMB. In addi-The position is complicated tion the Government has agreed because the Hong Kong come to make up the shortfall in muter is highly price conscious. KMB's account, amounting to HK\$40m, in order to permit the KMB to break even this year. The decision was greeted with

tory of islands there are a numrather than travel twice as ber of ferry operators. The expensively on the faster sub-way.

Bus franchises are in the Tsim Tsa Tsui on Kowloon still hands of two large companies carries 110,000 passengers a and one smaller one. The China day, In spite of direct competiday, In spite of direct competition from the faster MTR, ferry

PUBLIC TRANSPORT

Daily average numbers of passengers carried by Hong Kong's various modes of transport.

	('000 journeys)			
	1978	1979	1980	
Bus	3,061	3,319	3,251	
Public light bus*	1,498	1,577	1,495	
Taxi*	833	717	8 22	
Ferry	529±	568≵	510	
Tram and cable car	. 389	424	444	
Railway!	43	178	511	
Total	6,353‡	6,783‡	7,033	
	===			

* Estimate. † Includes Mass Transit Railway. The first stage of the Modified Initial System of the Mass Transit Railway between Kwun: Tong and Shek Kip Mei operated from October 1 1979 and the full system operated from February 12 1980. ‡ Revised figures.

Source: Census and Statistics Department

one-third of the MTR fare, and passengers can take in one of the world's superb harbour views on the way. The Hong Kong and Yaumati ferry company takes vehicles as well as sengers across.

palliative measures have further complicated the jams. In 1969 Public Light Buses or PLBs stop almost anywhere to pick up or drop off passegers. In fact, they carry 25 per cent of daily

However, the minibus operators have the reputation of being the rogues in the system. The 1979 White Paper on transport commented that "PLBs are should be put first and buses, profitable and the profit molive trains over and under ground. leads competing drivers to indulge in brinkmanship in an often selfish and aggressive endeavour to pick up passen-

"It is this method of operation which frequently results in is what Norman Thompson of minibuses congregating in un- the MTR calls the "transport side and stopping in the middle so many people making so of the road junctions . . As many journeys and in so conminibuses are mainly operated fined a space, it should be imby individual owners and possible not to make a profit,

on certain busy stretches. solution to all this conglomera- motorists say that bus services tion of traffic is to plan ahead are so poor that a car is essenand act with a certain amount tist.

increase, will still be less than of ruthlessness. With the expansion of Hong Kong into distant new towns and tower blocks of thousands of people, new demands have to be met. The further flung new towns

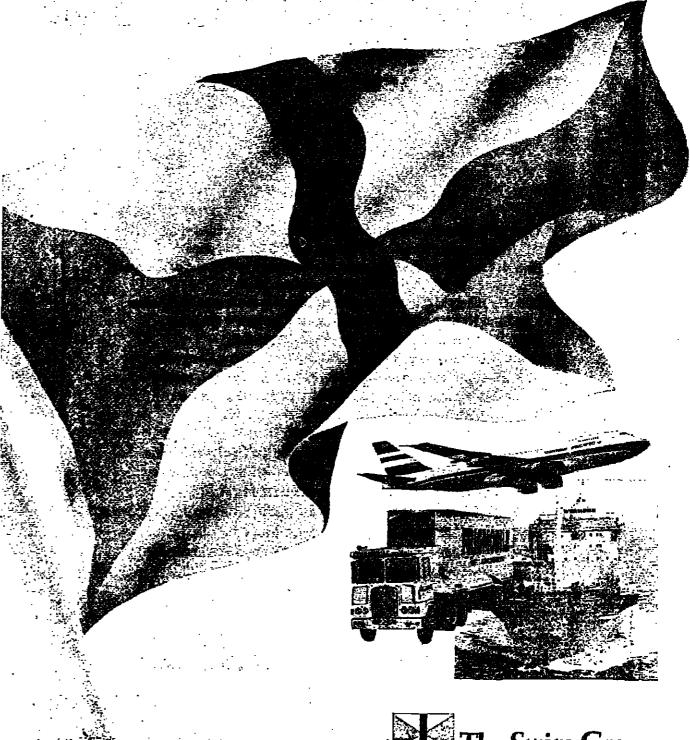
springing up will mean new cross links will be necessary. Traffic is so congested that Negotiations are going on for a light rail system in Tuen Mun which might later be further connected to Tsun Wan. (minibuses) were legalised be. The Kowloon Canton Railway cause there were not enough KCR has been electrified to buses to cater to public demand provide a fast link from Sha They are privately owned and Tin to the Centre, though the therefore more expesive than terminus is no longer in downother buses. But they have be town Tsim Tsa Tsui but a bus come so popular because they or taxi ride away in Hung Hom.

tunnels, flyovers and railways, within an estimated budget of HK\$14bn. However, critics say that it is biased in favour of laisser-faire and the private car: instead public transport trams and ferries should serve the public together. They claim that if something is not done Hong Kong will be taken over by multi-layer spaghetti roads.

It is curious that Hong Kong acceptable numbers at the kerb- operators heaven" because with drivers, it is difficult to regulate However, transport operators their method of operation and still grumble about breaking the trade is vulnerable to pro- even. The MTR complain that tection rackets." Now, though, bus fares are too low, driving steps have been taken and minipeople above ground. The buses buses are banned from stopping say they cannot make headway with so many private cars and An obvious beginning to a minibuses in the way. Private

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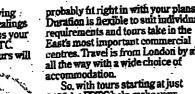
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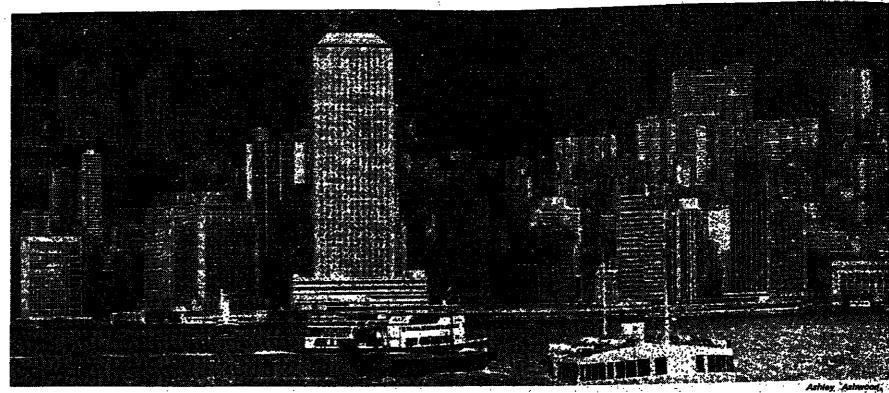


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Office blocks and apartment buildings on crowded Hong Kong I sland, overlooking Star Ferry. The shortage of accommodation in Hong Kong is partly due to the fact that much of the land area is unsuitable for building

Demand far outstrips supply

PROPERTY

ADRIAN BOYEN

DESPITE A rapid pace of construction, the supply of residential, commercial and industrial buildings in Hong Kong is still far below demand, with the result that rentals and prices are increasingly becoming sensitive political issues.

After much consideration, the Government decided in May to raise the ceiling for increases in residential rents to 30 per cent every two years from 21 per cent. But it was still severely criticised on the one hand by tenants complaining about rapacious landlords and on the other hand by landlords warning that construction of housing can only match demand if controls are lifted.

The Government faces similar pressures in the commercial sector where groups of small businessmen have petitioned for rent controls against the bitter opposition of landlords, while in the industrial sector there are complaints that the high cost of factory space is bitting Kong's export Hong

The pressures are in part a

In the residential sector, rents in 1980 were up more than 50 per cent over 1979 for all classes privately constructed new ising, with rents for flats of 1.700 sq ft and higher averaging HK\$18,500 a month and prices for luxury flats running at up to HK\$2,300 a sq ft.

The obvious demand implied by such prices and rents encouraged the construction of 60,000 residential units in 1980, 24 per cent more than in 1979, but the bulk of the increase came from the public sector, particularly the housing authority, which accounts for about 46 per cent of Hong Kong's total housing stock.

Rents for such public housing are much lower than in the private sector, but the waiting list is long because of the persistent demand for better housing from Hong Kong's squatter population which is estimated to number 750,000. The private sector's total

supply for 1980 was 25,000 units, down 10 per cent from 1979 with flats of under 430 sq ft account-ing for 50 per cent of the total while flats of 1,700 sq ft and up were only 2.4 per cent of the

The decline was caused by a in the year when the extension previously controlled coincided with a peak of 16 per cent in Hong Kong's best lending rate.

Matters improved when the rate declined to 10 per cent in summer, but potential buyers stayed away once more when it returned to 17 per cent late in

Luxury flats

The rate still stands at 17 per cent but the market appears to have shaken off the effect of expensive money. Hong Kong panies to seek their profits from Land recently sold 48 luxury selling their land. flats for an average of HK\$7.25m each, and Hutchison Whampoa found buyers in one day with HK\$230m in hand for two blocks of a new residential development.

Property analysts say the reason is in part the enormous growth of liquidity in Hong Kong. Loans and advances by banks and deposit-taking companies grew by 63 per cent in 1980 despite the high cost of money, and the trend has continued so far in 1981.

But they also point to renewed confidence in Hong Kong's future. The enthusiasm for property ownership, probably the best "store of wealth" by Chinese standards, was dam pened in recent years by the fact that the lease with China on Kowloon and the New Territories expires in 1997.

However, when Chinese Vice-Chairman Deng Xiaoping assur-ed Hong Kong investors last year that they could set their minds at ease about the colony's future, the attractions of home ticularly because Hong Kong's importance to China as a financial and trade centre was also generally expected to assure the strength of the property market for years to come.
The China link has also

inspired the strength of the commercial sector of the property market because foreign companies continue to establish bases in Hong Kong for trade or industrial development in

New office rentals in the range of HK\$25 to HK\$30 per sq ft per month, about 35 per cent up from 1979, while retail space fetches up to HK\$70 per sq ft, 15 per cent higher than in 1979. Such increases were expected

to prompt many international firms to relocate their regional headquarters in Singapore, but the evidence indicates that this has not happened. Officials of Hongkong Land,

which, with 6.5m sq ft of lettable commercial space in Hong Kong, is easily the largest commercial landlord, say the market for prime commercial space remains strong because existing tenants are expanding their Hong Kong operations rather than moving out.

natural outcome of the fact that Singapore has a shortage of Hong Kong has a land area of prime commercial space and only 409 square miles, most of rapidly rising office rents, while it unsuitable for building to in Hong Kong the pressure is support a population of more expected to ease soon because than 5m growing at 3.4 per cent an estimated 8m sq ft of new commercial space, or about 33 per cent of the existing total, will come on the market by the end of 1982.

The extent of construction has already led to a softening of office and shop rentals in secondary locations and many firms which found rents too high in central locations are moving to those areas although often with bitter complaints.

Record price

Purchase prices for prime ommercial space are difficult commercial to establish because most of it is retained for investment. But the trend was shown by one central office block of 450,000 square feet which sold in January, 1980, for HK\$998m, and resold later in the year for HK\$1.6bn. Property analysts expect a new record price will again be established if a central office tower goes up for

In the industrial sector, many companies are taking advantage of high property prices to redevelop their factory buildings during a slump in the export market, particularly for textiles. The price of urban flatted

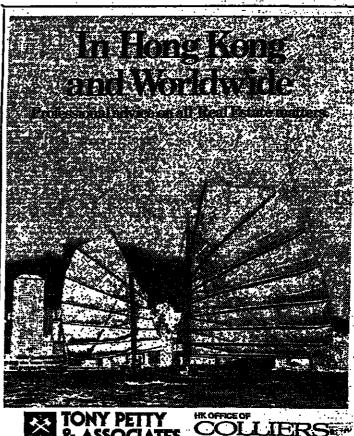
factory space has climbed fourfold in the five years to 1980. dampening of the market early to an average of HK\$390 per ft, with the greatest single annual increase of 42.8 per cent recorded in 1980. Be cause of the cost, most of the new construction is taking place in the new territories where prices are considerably lower although an average is hard to establish because of a wide variance for different locations.

Industrialists have warned that the price spiral attracts too much money to property when industry and it dampens the attractions of expansion while encouraging industrial comselling their land.

However, most of such companies appear to be using pro perty sales as a support to their normal revenues, and recen land auctions in the industrial sector indicate that prices are stabilising as the Government puts more land on the market.



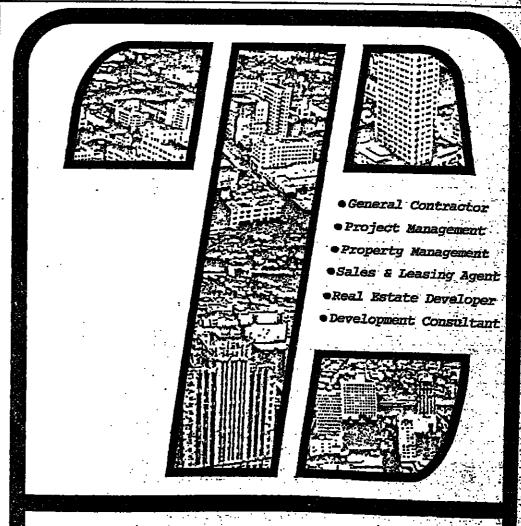
Government housing in Kowloon



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HONG KONG XXIII

Warning note in loss of lead spot

TOURISM

MICHELLE MISQUITTA

HONG KONG has fallen behind Singapore in the Asian tourism league in terms of the simple headcount of tourists arriving. Singapore last year attracted about 2.4m visitors compared with Hong Kong's 2.3m. For the moment, Hong Kong is not too worried because it is still ahead in tourist earnings, and in the end it is the hard cash that counts in the official view. Nevertheless, there are a few flashing danger signals among the twinkling tourist lights.

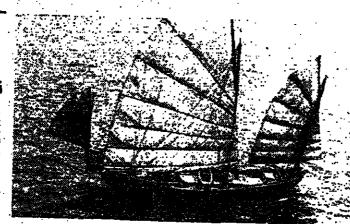
Hong Kong boasts of offering Singapore in the Asian tourism

Hong Kong boasts of offering almost everything a tourist could want. First of all—and almost 60 per cent of tourist spending says so—it is a shoppers' paradise, where practically anything and everything can be hought, and tax-free too. The latest electronic equipment, high fashion clothes, exquisite jewellery, you name it, Hong Kong has it and more. Suits can be made to measure in 24 hours, shirts to measure sewn up in hours. Where else in the world can you pick up fashions with the labels of top Paris houses off street barrows, or find genuine Gucci, imitation Gucci and plastic Gucci hanging from neighbouring racks? Macau have scored an instant Besides, shopping in Hong success with tourists eager to Kong, except in the glossiest set foot on Chinese soil proper. Hong Kong, felicitiously

. Added to this, Hong Kong has m exciting atmosphere: it's a place where anything can hap-pen. It is a hive of activity from early morning to late at night. Gambling, apart from the horse-racing tote, is forbiddenunless you count the volatile stock market—but almost anything else goes: from the girlle bars to the plush hotel dining rooms, where virtually every variety of cuisine is available so that, with its towering sky-scrapers and flashing bright modern metropolis.

pargaining session.

ferry ride across the harbour and Japan, showed actual from Hong Kong to Kowloon decreases in arrivals. allows the tourist to see sleek new airport. The Peak tram numbers of Taiwanese visitors, crease in 1979. Meals were gives a ride up to Victoria Peak, but it is the slackening in almost 23 per cent more costly. like a spider scaling a sky. Japanese visitors that is worry-and offers a breathtaking because they have always tourists—the shopping—is more ing view of one of the best and been big spenders. In the last expensive now as inflation rises,



Junk off Victoria Island

Hong Kong is a Chinese city: in 1980, there were only 54 Many of the people speak only incidents affecting Japanese Cantonese. So, in addition, Hong Kong offers some of the authorities. The problem is that mysterious lure of the Orient one incident can snowball and with a different Chinese culture, if one tarnished by modern tial visitors. This is especially so with the Japanese because can learn skills like Chinese cuisine. embroidery, painting so the good offices of the tour and culture.

Glimpse

In the last few years, China's back door has opened and the tourist can get a glimpse into the hitherto forbidden world of communist China. Day trips to Shenzhen and Zhongshan via

shops, often has the added Hong Kong, felicitiously Eastern flavour of a good situated on the edge of the Asia Pacific region, is an important stopping point for long haul travel, by sea as well as air, and has so far managed to attract people from all over the world. It is also a magnet for overseas Chinese: most visitors come from South-East Asia-Malaysia, Thailand, Singapore. Indonesia, the Philippines and Taiwan. The next biggest group comes from Japan, then from the U.S., Europe, Australia and the UK.

Having said that the glossy tourist brochures lost a little lights, Hong Kong is a pulsating of their allure last year. The modern metropolis only 4 per cent up from 1979. There are a few beauty spots Worryingly, the biggest where tourists can relax. The visitor markets, South-East Asia

Numbers of Japanese tourists ocean-going liners and chugging fell by 7 per cent, mainly due Chinese junks with washing to the dip in the Japanese strung out aft saffing side by economy and the weakness of side. Lantau Island still has its the yen. Taiwan tightened its rural havens although under overseas travel rules resulting threat from industry and the in a 40 per cent fall in the

ing and new experiences it is with fakes or imitation goods impossible not to notice that or even robbed. In actual fact,

> organisers are vital. Another problem Japanese tourists is that they follow the tour guides' flag too trustingly and are sometimes led astray. Dishonest tour agencies have their special connections in Hong Kong and split their profits while the tourist has to pay extra for his "economic

package tour." However, the deficiency that has done more than anything else to inhibit tour groups has been a shortage of hotel rooms. Investment in hotels in the mid 1970s was low so that in 1978 hotel rooms increased by only 2 per cent and the following year by a further 1 per cent. By 1980 Hong Kong had a total of 14.989 rooms and 28,467 beds, which were heavily booked. The average occupancy rate was 87 per cent, down from 91 per cent in 1979.

Consequently, tour groups could only be accommodated for short visits. Some were discouraged and either flew over Hong Kong and stopped over at Singapore or re-arranged their itineraries. The Pacific has become the new hunting ground for the Japanese, Airlines picked up the trend and offered low-cost designations. Hong Kong was unreliable, so neople switched away from Hong Kong. Worst of all, Hong Kong is

getting more expensive. Hotel charges rose by 30.5 per cent last year after a 25 per cent inmost heautiful harbours in the year or so there have been reuts soar and higher costs are world.

In all the scramble for spend-tourists being cheated, duped centres. You can still buy cheaply in Hong Kong but not so competition from lower cost cheaply as before, and so tourist shopping fell by 8.6 per cent last

cent of his money on shopping, 23.2 per cent on hotel expenses, 9.9 per cent on meals, 3.2 per cent on entertainment, 2.9 per cent on tours and about 1.5 per cent on incidentals.

The problem may be that, once discouraged, tour organisers may not be so easily tempted back. With new hotels opening and nearly 20,000 rooms available by 1983, Hong Kong cannot afford to let people pass by.

Hong Kong also has few of the typically "tourist" attrac-tions. It has hardly any historical points of interest, especially given the passion for knocking groups, and international condown even moderately distin-guished buildings like the Hong Kong Club Supreme Court and Hong Kong Bank to erect skyscrapers economical of space, and the densely populated territory has no real beach resorts or recreational facilities. The bays, though beautiful, are frequently overcrowded. So the tourist authorities are casting about for something to keep the visitor on for a few more days.

In terms of the vital hard cash, Hong Kong's tourist industry accounts for 33 per cent of the Colony's total export of services and is second to trans-port in invisible earnings. The slow growth in numbers was matched by slow growth of income from tourists. Last year gross receipts from tourism rose by only 3 per cent to HK\$ 6.5bn compared with a 25 per cent rise in 1979. Though the down-turn in the industry may be blamed on world-wide economic recession, the energy crisis and

destinations, it is still alarming Hong Kong tourist authorities. The average stay in 1980 was According to the Hong Kong only 3.6 nights, the shortest Tourist Association, the average period since 1974; in 1979 it tourist of 1980 spent 59.3 per was 3.7 nights.

Spenders

The Hong Kong tourist in-dustry is working hard to try to put Hong Kong back on top. The all-out efforts to increase the numbers of hotel rooms to 17,000 by next year is one step. Hong Kong will be able to welcome more visitors and keep them for longer, if they will come. Plans to develop tourist resorts are being discussed. Special attention is being paid to the high spenders like free independent travellers, special interest groups, incentive travel

ference groups.
With each possibility there are problems. The tourist officials would like to persuade businessmen to stay for pleasure after their work is done or to bring their wives. They would like to see more conferences, but Hong Kong Hotels are not well equipped to handle large numbers. The Colony lacks a tailor-made convention or exhibition centre and the "big" hotels are limited to about 500 conference delegates. Only two hotels can accommodate 1,000 to 2,500 participants.

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Success story of top electronics group

PROFILE: CONIC

KEVIN RAFFERTY

WHEN CHESS Grandmaster Victor Korchnoi, was in Hong Kong recently, the enterprising Alex Au, head of the Conic group of companies, got hold of him and persuaded the Soviet emigré to lend his name to the computer chess set that Conic was about to bring out. Korchnoi not only did that but also left behind Michael Steen, the British Grandmaster, to help the computer's game, especially its weak opening book. He injected more dynamism and adjusted the software so that the com-puter would not throw away a position just to be a single move ahead. As a result of this work Conie will not only have a computer chess set on the market, but a grandmaster computer chess challenge.

Employer

Conic and Alex Au provide one of Hong Kong's real rags-to-riches stories. The company was set up in 1965 as a typical small Hong Kong operation with five employees and HK\$60,000 capital to make plastic cases for transistor radios. Today it has a capital of HK\$400m, an annual turnover about four times that sum and employs 11,000 people, making it the largest employer of labour in Hong Kong after the Government. "We are ahead of the Royal Hong Kong Jockey Club and the Hong Kong Bank, which are numbers three and

four," says Mr Au.
The array of Conic products today includes televisions, The array of Conic products today includes televisions, radios, audio equipment including telephone answering machines (one of which, the company says, is used by Mrs Margaret Thatcher), electric toothbrushes, calculators, television games, remote-controlled toys. Where Conic is unusual toys. Where Conic is unusual a quality finish on its products trialists and in this way recoup among Hong Kong companies is and to turn out a new line many of its costs, says Mr Au. among Hong Kong companies is that it markets its own products under its own labels—Conic, Contec and Zegma are among them—rather than making them to the specifications of a big multi-national or department store for it to put the label on. Yet Mr Au says that he came into the electronics field almost is to turn out a new line quickly.

Mr Au admits that Hong Kong conic claims that it cannot see a rival on the Hong Kong will never be able to make the basic breakthroughs see a distant second "says Mr Au.

Conic claims that it cannot see a rival on the Hong Kong electronics scene. "We don't what Japanese giants can, but Au. "Other companies are mostly single product manufacturers. They are producing for other people to market which make the Hong Kong that Japanese giants can, but Au. "Other companies are other people to market which make the Hong Kong that Japanese giants can, but Au. "Other companies are other people to market which make the Japanese giants can, but Au. "Other companies are other people to market and the Hong Kong that Japanese giants can, but Au. "Other companies are other people to market the Japanese giants can, but Au. "Other companies are other people to market the Japanese giants can, but Au. "Other companies are findinto the electronics field almost it cannot the people to make the basic breakthroughs see a rival on the Hong Kong that the Japanese giants can, but Au. "Other companies are findinto the electronics field almost it cannot the people to make the basic breakthroughs see a rival on the Hong Kong that the Japanese giants can, but Au. "Other companies are findinto the electronics field almost it cannot the Hong Kong that the Japanese giants can, but Au. "Other companies are findinto the electronics field almost it and the Hong Kong that the Japanese giants can, but Au. "Other companies are findinto the electronics field almost it and the Hong Kong that the Japanese giants can, but Au. "Other companies are findinto the electronics field almost it and the Hong Kong that t

by accident. The family came nese have is being able to test from Amoy in China to Hong and fully amortise the costs of Kong in 1951, when Alex Au was a new product on their domestic 12, where it had been in the tea business and came to pick up its contacts in Hong Kong. How-ever, tea was not easy in the 1950s and so Alex Au joined a company making plastic products like flowers, toys and housewares. "When I left to set up on my own, I promised my boss that I would go into a different line. So I thought and started making plastic cabinets for radios."

"The next step was when we had problems with bad debts because some of the factories we supplied were in trouble, so I thought when they go bank-rupt why should I lose every-thing? Why not set up on my own and make radios and other

Mr Au's success was founded in becoming a venture capitalist and offering capital and a share of the business to bright young engineers and designers, young men with a heart full of enthusiasm, a head full of ideas, but a pocket with only loose change. Perhaps because of his early experiences in plastics, he refuses to sell and let other

an importer and he takes a dislike to you or runs into trouble, he can kill you. I don't want to be like the backseat driver who can see the car going over the cliff and not be able to do a thing about it."

This independence means equity market.

employing a large number of engineers, including 200 in Government could do more to Hong Kong and 20 in Japan. help industrialists, especially in the country of the country of

market: exports are profits.
Where Conic aims to step in is in producing a quality product quickly after it comes into fashion at low costs which even the Japanese cannot match.

Automated

The company has its own problems. It has a high turn-over of employees and currently is so hard-pressed that it is offering a reward of HK\$300 for each new worker hired. Wages in Hong Kong's elec-tronics industry are generally lower than in garments. One of the main factors seems to be that young unmarried girls are prepared to work on electronics assembly lines when everything they earn is pocket money, but when they get married and feel the pinch of setting up a home, they need more money. Hong Kong's main group of unemployed are men aged 30 and more who do not adapt easily to the precision work. So, more and more, the company will have to use robots and automated processes.

The costs of money and the companies put labels on his products, which is what most of the rest of Hong Kong electronics companies do.

"It you are dealing through ment of a new television plant in the coarse which are the coarse in the co property boom are also beginning to bite. Conic is lucky in that it owns most of its own factories but for the developon Tai Po estate-which will bring its television output to between 40,000 and 50,000 units a month by 1983—it is planning to go public. It reckons that interest costs are so high that it is cheaper to borrow from the



Life oriental style

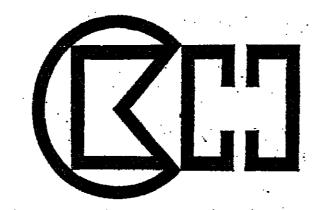
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Hong Kong

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AWAY OF LIFE



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TOTAL 1980 PROFITS US\$293 MILLION AFTER TAX.

HIGHLIGHTS for the year ended 31st December, 1980

- Net profits after tax excluding Extraordinaries total HK\$701,300,00 up 176%.
- 25% return after tax on shareholders funds of HK\$2,838,200,000. (Book Value)
- Total profits after tax including Extraordinaries total HK\$1,502,400,000.
- Final dividend 43 cents, making 63 cents total for the year.
- Bonus share issue 3 shares for every 10 shares held.
- Acquisition of 39.3% of Lee Hing Development Limited.
- Several major new joint venture companies formed during 1980:

	Capital Employed
50% in Cheuk Kin Investment Company Limited	HK\$1,245 million
50% in Galaxy Land Limited	HK\$1,000 million
34.5% in International City Holdings Limited	HK\$3,050 million
16.5% in Silvercord Limited	HK\$1 314 million

 1981 Forecast: Further profit growth and at least maintained dividend on the increased share capital.

Associated companies include:

Canadian Eastern Finance: 50%. (with Canadian Imperial Bank of Commerce, Toronto) China Cement Company (Hong Kong) Limited: 25%. US\$250 million new plant investment.

Green Island Cement Company Limited: 40%. (held through a 70% owned subsidiary)

Hong Kong Hilton Hotel: 100%.

Hutchison Whampoa Limited: 40% holding in this major trading group with 1980 total profits after tax of US\$150 million.

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US\$48 Million

US\$13 Million

US\$17 Million

1975

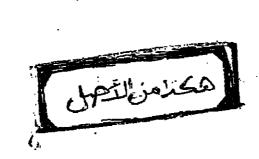
1976

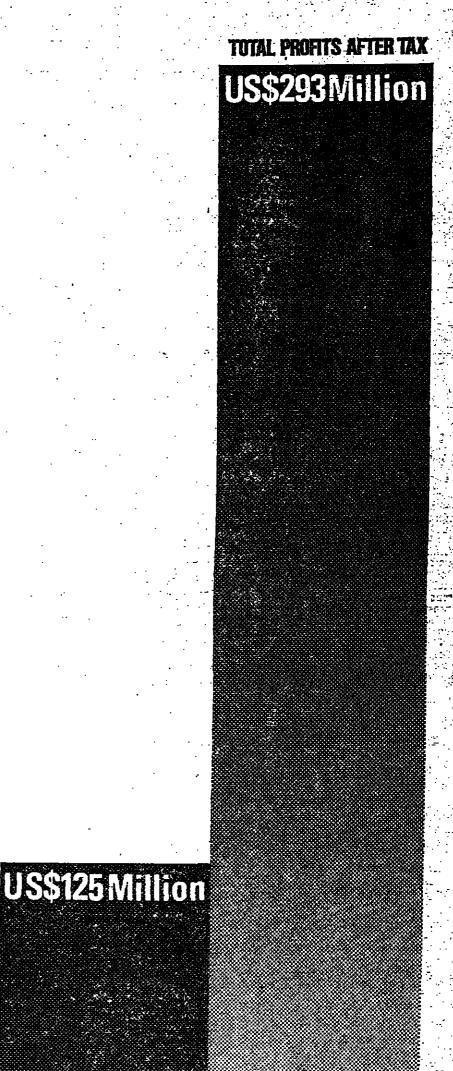
1977

1978

1979

1980





ANY ALTERNATIVE to the

year total rate and grant-borne

cent), non-domestic rates were £4.13bn (21.18 per cent) leav-

ing grant to make up about

ratio of domestic to non-domes-

tic rates was 1:116 with a range of 1:0.62 in East Sussex to 1:3.15 in Inner

POLL TAX: Everybody on

the electoral roll would pay

but the disadvantage is low

perceptibility plus easy

evasion because of the impos-

sibility of keeping track of significant numbers in the

SALES TAX: As most people shop where they live it would link spending payment of the

tax to the spending of the authority. Disadvantages in-

a fifth and a quarter of all

money goes on manpower which, despite two years of

vigorous exhortation by the

Government, has remained almost static at around 2m

people, although it is now start-

ing to fall gradually. About

half of the total of current

expenditure is eaten up by

The Government's proposed

new legislation would be the

most fundamental change in the

relationship between local authorities and central Govern-

As it is not likely that the

Government wants to run every-

thing from the centre but rather

control, the rate "capping" legis-

At least 70 per cent of that

population.

public expenditure.

education.

ment this century.

on or 59 per cent. The

Why a constitutional fight is inevitable

RELATIONS between central local government in Britain have now deteriorated to the point where an impasse has been reached which cannot be resolved without radical action.

After nearly two years in which the Government has tried in turn to push, tempt, cajole, threaten and finally force local authorities in a direction which they do not want to take, the stage is now set for the biggest

Local authority leaders have been responding to almost every central government move during the period with heady rhetoric about constitutional threats, the danger to local autonomy and the end of local government as we know it.

This time the end really may be in sight. Fundamental constitutional changes are imminent and councils are about to lose the most fundamental aspect of their discretionary powers-the power to raise money locally as they wish.

The Government in general, and Mrs Thatcher in particular, have had enough. They have failed to get the cuts in expenditure, reductions in manpower and the politically crucial moderation in rating levels which they want.

So, this autumn, legislation will be brought forward to give central government the power to limit the extent to which councils can increase both their domestic and non-domestic rates. If it gets through Parliament will have not only its existing power to decide how much grant a council may get but also the power to decide how much a council can take from its ratepayers.

The 456 locally elected councils in England and Wales spend an enormous amount of money in providing services and fulfilling their legal obligations. Their current expenditure of about £20bn will this year represent between lation will be presented as a it because of the whips and the every major urban centre in

ALTERNATIVES TO THE RATES

clude ability to boundary hop rates needs to be able to yield in London and large cities. PETROL TAX: Would also a large amount of money. Last allow boundary hopping so expenditure by councils in England and Wales was £19.5bn of which domestic people could pay tax in one low tax area and vote for expensive services to which rates were £3.57bn (18.33 per they were not contributing in the area in which they live. Not payable by people without LOCAL INCOME TAX: Very

high yield and as perceptible as income tax. Would need to be levied on basis of place of residence than place of work but allocating a second code through PAYE system need not be difficult. Strong relation between taxation and expenditure. Disadvantage that the Treasury and Civil Service do not want it and the present tax computer cannot handle

ASSIGNER REVENUES: This means giving councils a set or negotiated share of the national tax take and would give councils a rational share

position while a fundamental

It is likely to repeat many of

Government Finance

the suggestions put forward in

the Layfield Commission on

whose, final recommendations

for the introduction of a local

income tax in 1976 were

rejected-much to the regret

now of many central and local

politicians of all political per-

tutional change as rate capping

can be forced through Parlia-

wants only complete financial ment is debatable. The Com- But Labour's local election

Whether such a major consti-

in total taxation revenue. Distribution problems would be as severe as with grant now and there would be no link between expenditure decisions and revenue needs.

LOCAL corporate profits tax on commerce and industry: very unsuitable as widespread evasion is possible and would imply a large shift in burden from small to large busi-LOTTERIES, tourist taxes and local motor vehicle

ing sources of revenue which could work in combination with any of the above. AND CHARGES: councils could increase greatly their income from this source particularly council house rents. In London a high yield-

RATES: could continue in combination with any of the above but as a lower property tax based on capital values.

may be construed as constitu-

The present crisis is not only

a result of high rate increases

in some areas and the large

level of overspending compared

with the Government's targets.

There is another inevitable and

The Government was elected

on a manifesto which promised

public expenditure cuts and it

has a clear mandate to follow

those policies for as long as it

chooses until a general election.

tional tinkering.

insoluble conflict.

London Transport.

To this end, a wide-ranging the Lords may be more of a

mons will almost certainly pass gains since 1979 mean that

ing source already exists in



Michael Heseltine: a "solution" with unforeseen consequences

England and Wales now has temporary measure—a holding pressure of opinion which MPs experience from constituents administrations with what they review of the rating system is about the rates, a highly visible undertaken.

about the rates, a highly visible and therefore painful tax. But regard as an equally clear man-date to spend more money on was sold to the Cabinet by Mr services and thus to raise the Michael Heseltine, Environgreen paper on alternatives to problem and they are not the rates will also be published generally sympathetic to what rates. Each side has been ment Secretary and Mr Tom elected to do diametrically King, Local Government Minisopposite things.

The Government argues that it must retain the right to set overall targets for public expenditure, that it must have the right to exercise some control over council spending because its grants account for 50 per cent of local authority income, and that it must protect the interests of commerce and industry which contributes more to the total rate income than domestic ratepayers yet appreciated its full implications. has no say at all in the way expenditure decisions reached because it is enfranchised.

ment thought it had a solution King, Local Government Minis-Its basic principle was simple enough: the more councils spent above a certain limit, the less grant. This would force them to raise ever more from the ratepayers who would eventually shout "Enough" and vote them out.

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However, this all required extraordinarily complicated legislation which was raced through Parliament before anybody, including the Ministers, This year saw the first results: low spending councils

councils did not depress their spending and the largest ever overspend on targets appeared cuts followed by penattles -£1.25bn in cash. Meanwhile, which would be countered with rates in some areas were as high as ever and because of quirks in the grants system therefore some prudent Tory councils 1982-83. were forced to levy huge rate

The Government admitted defeat. The attempt to use this mechanism as a lever for control had failed every test and had infuriated local councils— Tory and Labour alike.

A new control was decided upon for this year, prior to the "capping" next year. Targets were issued for the volume of current spending and they must be met in revised budgets by the end of July. If they are not a £450m penalty may be levied in one last attempt to get council spending down to a level of 5.6 per cent below actual spending in 1978-79.

The Government has already admitted to itself that this exercise will almost certainly fail and has been told so by most closely connected with it. There are three main reasons: First, a similar exercise last

year was a complete failure. Second, the penalty system for this year works in a way which provides an incentive for councils to cut their spending only if they can get within 4 per cent of the target. But there is no point in a high spending council cutting a penny off its budget if it cannot get to within 4 per cent because it will face the full penalty anyway.

Third, some councils, mainly Labour councils which were elected in May and inherited Tory budgets for 1981-82 are actually planning to INCREASE their budgets to provide for the additional spending they say were elected to incur.

were encouraged to spend up-wards to take full advantage of Cabinet decided there was

penditure, most high spending do. Mrs Thatcher speculated councils did not depress their gloomily about the likely vicious circle this year of no spending widescale supplementary rates leading to more penalties and, therefore, colossal rate rises for

The only answer was to kill off the local financial discretion above a level which she thinks moderate councils would not want or need to exceed even if they were allowed to

However, this is no solution to the fact that the structure and financing of local government has been creaking under increasing strain in recent years-not least under the strain of greatly increased statutory obligations.

The great weakness in all previons attempts at sorting out local government has been the failure to consider structure, aims, philosophy and financing all at the same time.

The size of loca: sovernment -2m employees - and the importance of the range of SEF vices it provides (from police education) not to mention its enormous expenditure, suggest that a new conceptual approach to all aspects is now

A short Royal Commission, backed by a Government committed to act, might be the best way forward. It would recommend what form local government should take, how many vices it should provide and how it should be financed and managed to make it both efficient and locally accountable, while, independent as possible from

The alternative is to go fiddling at the margins, to reform one bit but to introduce distortions in another. On recent and not so recent history that would seem likely to produce yet more anguish for everybody

the centre.

Letters to the Editor

Excuses and a weak pound

From Mr Geoffrey Mills Sir,—Perhaps Sir Terence Beckett (June 11) knows somenot yet discovered. Or perhaps he is talking through his hat. He states that "the fall in the value of the pound will be beneficial to industry—improv-

worth Y1,000 (today Y450) or DM 11 (today DM 4.5) or Fl 10 (today Fl 5) or SwFr 12 (today

In that period British share of world trade in manufactured as have rates. goods has fallen steadily, while German and Japanese shares that it is all a question of have risen. Throughout that "taxation without representahave risen. Throughout that period Germany and Japan have consistently maintained a much lower rate of unemployment and a very much control, they would be retained lower rate of inflation than the in some form as a central their citizens has steadily risen. Their rates of technological innovation, as measured by patents applied for, have also risen, while the UK rate has fallen both in comparative and absolute terms.

fallen, to the point at which Professor Gerald Lawson of the Manchester Business School can demonstrate that dividends, more often than not, have been paid out of increased borrowings, not out of equity earnings. In that period British output or productivity has also fallen in comparison with those com-petitor countries Job prospects have steadily worsened. And imports have steadily increased, because imported goods have become more attractive to the UK consumer, not less.

The UK is saved from poverty and peasantry, pro tem, by the two major miracles of gas and (—remember North Sea Gas?). Yet Sir Michael Edwardes had also recently complained about the "high value of the pound and had begged Government to "leave the oil in the ground" so that the pound could sink even Councillor Andy Thompson, 76 Vassall Road, SW9.

Perhaps the real message (which world markets have in fact already discovered), is that Japanese car factories produce 18 cars per employee per year and German Ford factories produce 15, while British Ford factories produce only seven and BL still manages less than

Perhaps we ought to insist that the leaders of industry should stop making unreal excuses, and should start to remedy more resolutely the real reasons for this prolonged and pitiful decline. Mr G. Mills,

1. Queen Anne Drive, Claygate, Esher, Surrey.

Anomalous rates burden

From Councillor Andy Thompson
Sir,—Mr Webb of the CBI (June 5) suggests that the local rate burden on businesses grew very rapidly between 1977 and 1980. In fact the level of nondomestic rates in England and

Wales rose in cash terms by 49 in non-unionised industries, isters that each increase in per cent over the three years Trade union activity thus tends charges for supplies and serthe retail price index or 50 per labour, trade unionists get a free which might be of some comthing that world markets have cent on the CSO's broader ride on the non-members! In fort if the incomes of all con-"home costs" index. The real burden of business rates was should compensate the non-the same yardstick. thus virtually unchanged over members for the period selected by Mr Webb of their activity. -though it will probably show ing profit margins, cutput and an increase of some 8 per cent job prospects and making in the current year. If rates imports less attractive to the have more than doubled in relative to the have more than doubled the have more than doubl tion to profits, as Mr Webb sug-K consumer."

Tion to provis, as Mr webb sug- when the process is compounded real terms," there are many, yet 15 years ago, which is a gests, this surely reflects the by political manipulation. Over including retired and elderly short period in the lifespan of fall in real profits during the major companies, the pound was current recession rather than and employment unrelated to

the rating factors. Presumably it would be possible to identify any number of other elements in business costs which have risen in the same ratio to profits Mr Franklin (June 3) argues

tion." I strongly suspect that removed from local authority UK. The comparative wealth of government tax. It would prove too difficult to replace the revenue (nearly £6,000m in 1981-82) with alternative taxes. The "taxation without representation" argument would hardly be met by a switch from local to national control of non-In that period real profit domestic rates; and indeed it margins in the UK have also presumably applies to some existing national taxes such as corporation tax and employers' National Insurance contributions. I would suggest that the objection is not really valid in any case. All taxes—including those initially levied on businesses-are paid by people in the end, and people have votes. It is certainly true that a por-tion of the non-domestic rate burden in each area is passed on to non-residents of the rating or precepting area on which those rates are imposed. This is an imperfection in the frame-work of local financial accountability—but hardly a major one compared with all the factors which blur and confuse the financial responsibilites central government and the different levels of local govern-

Free riding unions

From Mr Colin Smith Sir,-Mr Max Bowen, Birmingham branch secretary of Nalgo, is to be congratulated for again amply demonstrating his union's predilection for economic illiteracy (report

His repetition of the "free rider" argument for compulsory union membership makes up in faith what it manifestly lacks in logic. In private industry, at least, the argument is completely mistaken, based as it is a the assumption that trade unions can continuously raise the real wages of their members. Wages depend upon the marginal productivity of Woking, workers, which in turn depends, among other things, upon the quantity and quality of the capital employed in the industry. Trade union activity, by increasing the costs of production, will make the investment of more

up to 1980-81. This was much to reduce wages from what they vices from the nationalised in line with the general infla- might otherwise have been; and tion rate over the same period insofar as trade union activity is 46 per cent as measured by ineffective because of non-union equity, trade union members sumers could be measured by members for the consequences

> In the heavily unionised pub- case for, unlike Members of when the process is compounded productive output are all contributory causes in the fall of the UK from fourth richest nation to 31st, in terms of GNP per head, in a single genera-

But let us take the particular haps Mr Bowen will tell us how it is that the job from which Miss Harris was dismissed was, within a few days, advertised at a salary some £1.428 in excess of her old level of earnings thereby demonstrating a disbenefit, under the previous terms negotiated by her union. of 39 per cent, I beg leave to doubt that even rapacious public sector unions have it within their power to effect such a dramatic improvement in the terms of remuneration attached to the duties formerly carried out by

such as Miss Harris. Even if it was the case that trade unions could continuously raise real wages, it is no argument for forcing non-members to join unions. One has only to apply the principle that those who benefit indirectly from the actions of others should be forced to share the costs, to circumstances not involving trade unions to see that it is absurd. Thus when some invention or improvement is made, the inventor aims only to benefit himself and although it is no part of his intention, thousands of others benefit. But this does not mean that he has any claim against them for part of the costs of the invention or improvement. Similarly when trade unionists take action to improve their lot, they have no complaint against non-members even in the unlikely event of their benefit-

ing in the long term. Colin Smith. 34, Greycoat Gardens,

Weighty matters

From Mr F. H. Smith, Sir,—Apropos the Etcetera item (June 11) on "Worrying doubts" about Sunday colour spate," never mind all that nonsense about whether the market will stand it. What about the poor Sunday morning devils who have to mark them up (and interleave them) in the newsagents and the paper boys who have to carry the sacks on their

bikes? F. H. Smith. 6 Egley Drive, Mayford,

in real

From Mr. R. Beale. capital less likely, as there will Sir,—We are regularly be more profitable opportunities reminded by Government Min-

industries is almost nominal if looked at in "real terms," Unfortunately, that is not the

lic monopolies union free rides Parliament, whose salary inare again taken, this time at crease of 181 per cent is said the expense of the consumer to equal only 6 per cent "in people, to whom application of that popular formula reveals a substantial drop in purchasing power: to them, the increasingly large proportion of their diminishing income demanded by the public sector means only and self-denial case of Miss Joanna Harris, Per- Failure to increase personal allowances by the "real terms' theory has already added to their burdens but there is one aspect in which that theory is deliberately disregarded in a manner which is both callous and hypocritical.

I refer to capital gains tax, for which prices ruling at Budget day, 1965, remain the basis for comparison when investments purchased before that date are sold. I can best Illustrate the position with an actual example, details of which were submitted to the Chancellor of the Exchequer personally in support of the argument for a change.

An old lady approaching her 100th birthday had to sell investments held over 30 years to raise £10,000 for the purchase of an annuity to assist in meeting nursing home fees. In "real terms" the sale proceeds represented a loss of about half the original purchase cost of the securities.

On her 100th birthday, the old lady received the customary telegram from the Queen, and another from the Secretary of State for Social Services. The Inland Revenue also marked the great occasion—with a demand for nearly £1,000 capital gains tax, thus reducing the proceeds of the sale to 40 per cent of the original price in real terms."

In his personal reply to my submission of this example, the Chancellor was explicit in showing how that comparison could not be applied to CGT, albeit admitting that tax was often levied on an actual loss. He also ruled out any possibility of indexing prices for CGT or. indeed, of any other change in that tax on its own, mentioning. in passing the potential effect in lost revenue. So the penalty on those who have sought to provide for their age or infirmity remains, but let us look at one other aspect within the same field.

There are some old people who could remain in their own homes if they could obtain a housekeeper or companion. If they should be able to find a suitable person, at a cost of at least £2,000 per annum, they may succeed in persuading the Inland Revenue to grant them a tax-free allowance of £100! "real terms" there: that is only for their crippling bills for gas, water, electricity and other essentials they must have. Ronald Beale. 27 Oatlands Close, Weybridge, Surrey.

GENERAL

UK: Lord Scarman's inquiry the Brixton riot opens, Lambeth Town Hall.

Herr Hermann Axen, East German Politburo member. meets Lord Carrington, Foreign Secretary, London (to June 18). The Queen and Prince Philip attend Order of the Garter ser-George's Chapel, SŁ Windsor.

International water industry conference and exhibition opens.

Shop equipment and display exhibition continues, Olympia,

Today's Events

Nureyev Festival opens, Lon- start two-day meeting in Luxemdon Coliseum, WC2 (to June bourg to discuss hormones and

Overseas: Bank of International Settlements annual Prime Minister, meets Mr Mark meeting, Basle.

Prime Minister, meets Mr Mark Eyskens, Belgian Prime Minister, meets Mr Mark Mr John Biffen, Trade Secre-

isoglucose quotas. Mr Zenko Suzuki, Japanese

Eyskens, Belgian Prime Minister, and Mr Gaston Thorn. tary, visits Finland for talks on European Community Commistrade and industrial co-operation. slon President, in Brussels.

EEC Finance Ministers meet Sir Ian Gilmour, deputy
to discuss special investment Foreign Secretary, continues

loons, Luxembourg. talks in washing to European Parliament session 19). European Parliament session 19). Mr Olla Ullsten, Swedish storts official opens. Strasbourg (to June 19). Mr Olla Ullsten, Swedish See Weel EEC Agriculture Ministers Foreign Minister, starts official on page 18.

visit to Poland (to June 17). Organisation for African Unity Council of Ministers starts six-day meeting, prior to African summit. Nairobi.

Sir Ronald Gardner-Thorpe, Lord Mayor of London, continues visit to Copenhagen. PARLIAMENTARY BUSINESS See Parliamentary Diary on page 17.

OFFICIAL STATISTICS Department of Trade publishes May provisional figures of retail sales.

COMPANY MEETINGS See Week's Financial Diary

Carlo Call Call Salary Sin the Pacific Basin



Grindlays Bank Group is a British based organisation with over 200 branches and offices in more than 35 countries, providing a wide range of banking and financial services.

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Eucalyptus down £8m value on slightly pre-tax | Star Computer

£3.82m to £3.52m for 1980, on turnover of £15.35m against £14.28m.

After tax of £1.25m (£1.61m), however, net profits came out ahead from £2.21m to £2.27m giving earnings of 56.3p per 25p share, compared with 54.8p. And the dividend is lifted to 6p, against 5.25p net.
At halfway profits had in-

creased to £2.69m (£2.33m). Sir John Colville, the chairman, tells members in his annual review, that, as regards the Portuguese subsidiary, Companhia de Celulose do Caima, the group cannot expect pulp demant to improve very much at least until the end of the current year and the directors do not foresee the possibility of an effective price increase be-

fore the last quarter.
They state, however, that there has been no sign of a fall in prices, the results of the group's investment programme are beginning to show and provided its sales campaign can be maintained, "I think there is every reason to hope that the profits for 1981 will at least equal those for 1980," Sir John

Despite a fall in sales in the last quarter of the year it was

Pulp Mills fell slightly from pulp company (Caima). Although total shipments at 85,845 tonnes. were 6 per cent lower, net sales increased by 22 per cent in escudo terms. Prices remained firm and production at the two mills rose by 1.5 per cent to slightly more than 90,000 tonnes.

> Albergaria, it was, at 39,790 tonnes, a record. Sir John says that Eucalyptus is continuing with its large programme of modernisation, the cost of which is spread-over the next five years, " to revolutionise

At the smaller northern mill,

our production methods and improve our productivity." After minority interests of £169,365 against £167,402, and an extraordinary debit last time of £535.074, the attributable balance came through well up at £2.1m against £1.51m.

There was a transfer to non-distributable reserve of £532,474 (£612,167), and after dividends, £223,440 (£195.510), the amount retained was £1.34m (£698,772). As at December 31 the balance sheet shows fixed assets, less depreciation, of £5.39m (£4.05m) net current assets of £2.17m and shareholders'

funds of £7m (£5.32m). on July 10, at noon.

Weeks prospects mixed

WITH A further deterioration in tells members in his annual UK demand for agricultural statement. equipment, trading conditions so far at Weeks Associates do not justify any optimism for an improvement in the current as effectively as possible in the year, says Mr W. A. Airey, the chairman, of this manufacturer real improvement overall must real improvement overall must real improvement. of trailers, industrial and agricultural equipment.

However, exports are buoyant and in this area prospects are encouraging. In RAP, the distributor of industrial goods, sales has ended and from this standpoint the outlook seems more of shareholders' funds. promising than for some time, be

Although the company is taking whatever measures within its control necessary to operate as effectively as possible in the await a national economic revival. Mr Airey points out.

He remains convinced, how-ver, that the company's corporate strategy is correct At balance date, shareholders funds, including goodwill, were remain depressed but there are £3.79m, compared with £3.96m a signs that the detstocking phase year earlier. Borrowings at £2.45m, represented 64.7 per cent Meeting, Hull, July 9, noon.

6 = 2 = 6

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has continued unabated. This has led to disappointing results and a

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Results

Profit before tax

Earnings per Ordinary Share Dividend per Ordinary Share

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Authorised

1,000,000

can manufacture and sell those products at a profit.

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17.19

10.17

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(Incorporated in England under the Companies Acts, 1948 to 1980)

Number 1404552

SHARE CAPITAL

in 10,000,000 Ordinary Shares of 10p each

In connection with a placing by Simon & Coates of 750,000 Ordinary Shares of 10p each at 155p per share, application has been made to the Council of The Stock Exchange for

the grant of permission for the whole of the issued share capital of Star Computer Group

PLC to be dealt in the Unlisted Securities Market. A proportion of the shares being

placed are available to the public through the market. It is emphasised that no

application has been made for these securities to be admitted to official listing.

Particulars relating to the Company are available in the Extel Statistical Services and

copies of the Prospectus may be obtained during normal business hours on any weekday

(Bank Holidays and Saturdays excepted) up to and including 29th June, 1981 from:

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1 London Wall Buildings, London EC2M 5PT

BOARD MEETINGS

Interims:—Cardiff Property, J. H.

Fenner, Murrhead.
Finals:—Audiotronic, Chamberlain
Phipps, Godfrey Davis, Ferguson Industrial, Standard Fireworks, Tern-

FUTURE DATES

Brunner investment Trust June 19 Charter Trust and Agency June 18

East Anglia and the west country is planned for later this year and

SEEKS LISTING

London-based company which

specialises in devising incentive

schemes for large companies, is

seeking a listing on the London

to raise any money and will seek the full quote by way of an

introduction through stockbrokes

Mr David Robson, a director

a public company in order

of Bonusbond, yesterday ex-plained the reason for seeking a

full quotation: "It seemed appropriate to us that we should

to improve our reputation by opening our books". Mr Robson

said the visibility of a full listing

would help his business to grow. In the 14 month period to

December 1980, the company

made a pre-tax profit of £526,000

on turnover of £10m-pre-tax profit in 1976 was £90,000 on a

urnover of £1.6m. The company

showed a cash balance of £2.1m in its balance sheet as at

The company is not planning

Holdings,

BONUSBOND

Bonusbond

Stock Exchange.

Rowe and Pitman.

Consulate.

next Thursday in the shares of Star Computer Group, following the placing last week of 750,000

shares at 155p each.
Some 14.3 per cent of the equity has been placed valuing the company at £8m. The balance is held equally between the two founders, Mr Michael Blechner

At the placing price the company is being floated on a historic fully taxed p/e of 22.8 and yield of 1.8 per cent.

Star has two main operations: the original bureau business, on which the company was founded in 1973, but now accounts for less than 10 per cent of turnover, and supplying complete turnkey " computer systems. Star's major customer group is the accountancy profession.

The turnkey approach is to supply mainly first time users with complete systems—the hardware. software, installation and maintenance and full staff training. Pre-tax profits of Star have grown from £23,000 in 1976-77 to £740,000 last year. No forecast

is offered for this year though the directors remain optimistic. A 2p a share dividend is expected to be paid.

Brokers to the issue are Simon

comment

and Coates.

Star comes to the USM on the usual fancy looking ratings for a company in the electronics field. No forecast is offered for this year but clearly the directors are looking towards the "turnkey" division for further growth following last year's rapid expansion. The bureau business, they admit, is in decline but now accounts for less than 10 per cent of profits so its gradual slide is not going to make a big impact. There are two main reasons for going public. Star believes a quote will give it added kudos in its trading—especially with its main client area, accountants.

Also, and perhaps more important, Star could use paper for acquisitions. It would be logical to add on another specialised customer market by taking over an established

December 1980. Bonusbond is currently traded under Rule 163 (2) and the application for a listing will be sub-mitted at the end of this month.

ATLANTIC RESOURCES

Atlantic Resources, the Irish petroleum company, has raised 155.04m by placing 2.4m 25p shares with institutions in London and Dublin. Fitwilton, an industrial holding company with textile interests, has taken 600,000 shares to maintain its 25 per cent stake.
The money is to fund Atlantic's

Atlantic has a 10 per cent interest in the Phillips Maroon Consortium which is drilling for oil in the Porcupine Basin, has agreed terms with the Government on drilling for six blocks in the Celtic Sea and is also drilling for gas in West Virginia and Oklahoma,

The brokers to the placing were J. and E. Davy in Dublin and W. N. Middleton and Laing and Cruikshank in London. The bankers to the placing was the Industrial Credit Company.

FT Share Information

The following securities have added in the Share

Information Service:-Amdahl Corp. (Section Americans). Brunswick Oil (Oil and Consultants (Computer and Financial (Industrials). Fife Forge (Engineering). Jimber lana Minerals (Mines-Australia). Leeds 13 pc 2006 (part-paid) (Corporation Loans). London Merchant Secs. 72pc Con. Uns. Ln. 2000/05 (Trusts, Finance, Land). Mid-East Minerals (Mines Australia). Petroleos Mexicanos 141 pe Loan 2006 (Foreign Bonds and Rails). Reliant (Motors and Cycles).

CHESTERFIELD **PROPERTIES**

The immediate prospects of Chesterfield Properties are promising for 1981 and by the from completed investment pro by a further £1.5m, Mr Edward Erdman, chairman, says in his annual review.

He states that efforts continue to secure additional well located

tes 1	or iu	iture developmen	t.
MIA			
•	981		Jan 7
	Low		Prico
H.gh 344			-44
	251	Banco Bilbao	344
414	280	Banco Central	414
317	239	Banco Exterior .	317
330	239	Banco Hispano	330
128	120	Banco Ind Cat	125
390	394	Banco Santander	390
216	148	Banco Urquijo	216
3E3	263	Banco Vizcaya	362
269	204	Banco Zaragoza	269
225	82	Dragados	225
90	45	Espanola Z.nc	90
• 77	55.5	Fecsa	7
51.5	22	Gai Preciados .	5:.5
	63.5	M.deata	
85			85
69.5	52	lberduere	69.5
145	70	Petrolcos	145
- 99	70	Petroliber	99
102	65	Sagofisa	65
83	63	Telefon-ca	83
81	60	Union Elect .	81
			•

THE TRING HALL U.S.M. INDEX

at Friday's close of business BASE DATE 10.11.80

Ray Maughan examines Steetley's offer for Downing

Waiting for the right moment

Steetley with an agreed bid for G. H. Downing at the end of last ficial holdings but Hanson closes on Wednesday. But as the dates of board meetings to the Stock Exchange. Such meetings are vaually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interime:—Cardiff Property I Hereime:—Cardiff Property I Hereimes—Cardiff P chairman of Steetley, Lord Boardman, made clear yesterday, the newcomer's intervention has long been planned.

Hanson opened its 200p per share offer on May 11 but it transpires that Steetley had already been looking closely at G. H. Downing, the facing brick and roofing tile manufacturer, for some time. "We look at several competing companies in our field," Lord Boardman said, "and we had decided anyway to approach Downing before the end of this year."

He emphasised that Steetley Bisichi Tin June 1/
Brickhouse Dudley June 24
Continental end Industrial Trust June 17
Hampton Gold Minang Areas June 18
Joseph (Leopold) June 18
Triplex Foundries June 25 had been forced to wait until Downing had published its detailed defence document during the middle of last week with the attendant profit and dividend forecasts. "We only agreed our terms with Downing operator. Acquisitional thoughts aside geographical expansion into at 6.15 pm on Friday evening." If Hanson is to stay in this battle for what is generally regarded as efficient and modern there are still some big holes in the map to fill

brick and tile capacity, and its track record suggests that Hanson is rarely persuaded to open its cheque book any wider, it must at least lift its price to match Steetley's own terms of 265p per share. This values Downing at £15.9m and Steetley is offering its own shares, which closed last week at 214p, with a partial cash alternative which is limited by a ceiling of £5.5m.

The Downing board, headed by Mr Douglas Hartley is now

respect of its own small beneweek will set Hanson Trust some already has irrevocable accept undercut competing prices—by problems before its own offer ances from holders of just over as much as a fifth for facing 24 per cent of Downing's equity. These curiously, represent stakes held by family trusts of executive directors, other family its new capacity and envisaged interests and non-executive board members. Yet the interests of each Downing executive director as expressed in a directly held

capacity, are still resolutely opposed to Hanson's terms. The acceptances are locked in unless Hanson withdraws its offer or allows it to lapse. How far will it be prepared to counter the new bid which values Downing at 14.6 times fully taxed earnings for the year to March
31 last and yield 5.7 per cent?

Downing's ability to lift
annual profits by a fifth to a new

record of £2.28m after warnings of the "bleak" outlook of the "bleak" outlook expressed at the interim stage, has caused much comment by the Hanson camp but Steetley, at least, seems unruffled.

Lord Boardman believes that Downing's impetus stems from the benefits of new production facilities at its Chesterton plant, on which it has spent over £3.5m over the past few years, and at the Keele facing brick and clay roofing tiles facility. The overall group performance has not been inspiring over four years—until 1980-81—although there have been included circumstances in been isolated circumstances in overseas and peripheral activities to explain at least part of this sluggishness.

For the past few years, Downing like all construction material producers has been living with a flat building mar-

accepting Steetley's terms in ket. It has recently been making the point that its plant modernisation enables it to bricks and a quarter in the clay tile market—to the point where this time last year it was contemplating full production from

> stable stock levels. Both Hanson and Steetley have put forward claims of industrial logic. The former owns the Butterley facing brick company which produced £5.6m pre-tax in the year to end-September last against £5.0m. Butterley how-ever also takes in light aggre-gates so its full exposure to bnicks is somewhat

> But like its newfound rival, it is talking about the logic of buying construction product capacity in new areas.

Steetley has been involved in facing bricks since the autumn of 1979 when it paid a little over £30m, in cash and shares, for Gibbons Dudley. Gibbons was forecasting £4.6m, against £4m, for that year but its subsequent contribution has been lumped together with Steetley's construction products division. Again, Steetley, is putting forward a case for complementary geographic spread since its plants are sited in the North East and North West while Downing is concentrated in North Staffordshire to supply the Midlands and

ne West Country. Neither side currently boasts any clay roofing tile production but Steetley does have extensive refractory interests—a mixed blessing perhaps in terms of the

tion and worldwide demand-and the Gibbons Dudley deal filled all the gaps in Steetley's refrac-

Downing bought into the refractories market in 1969 when it acquired Sneyd. Its contribution to the group overall has never been substantial and it made a loss in the last financial year, of £40,000 pre-tax against a profit of £312,000 previously. As Lord Boardman pointed out in his 1980 annual report steel production in this country was only 52 per cent of its 1979 level. Steetley's own refractory division slipped from profits of £4.36m to £1.97m pre-tax last year and both groups have been slimining their

Steetley has stopped this pruning at the point where as the chairman believes. "we have the right posture for higher levels of future demand."

But a stake of about 5 per cent of the quality end of the UK brick market and a presence in clay tile manufacture make up the best part of Downing's

dowxy. Boardroom compliance with Steetley's terms may be enough to swing the three big institu-tional holders quickly to the higher bid. That would be worth just over 25 per cent and would offset Hanson's irrevocable

acceptances.
It now seems clear that Downing was always going to be on the receiving end of a bid at some point this year, Hanson's reaction at some time this week to Steetley's late entrance should decide the price of Downing's

Medens profit forecast

Medens Trust, the private 3.5 per cent of Medens. deposit taking and instalment Medens needs addition credit group for which Brown manent capital to Shipley, the bank, is bidding, has forecast profits for the current year of not less than £700,000.

This is £50,000 below the figures for the year to June 1980 and takes into account a 57 per cent in rease in provisions against bad debts to £960,000. At the forecast profit level the 30p a share bid from Brown Shipley is worth 11.2 times forecast fully taxed earnings.

The bid is virtually a foregone conclusion as Brown Shipley already owns or has received irrecovable commitments for shares representing 54.4 per cent

It is being recommended by the board and its advisers, Kleinwort Benson, which itself owns ment. It is based in Daventry.

Medens needs additional permanent capital to finance growth Mr. John Collins, chairman, told shareholders in a letter accompanying the official

From Brown Shipley's point the group's leasing and factoring businesses in which it recently became involved. The banking group also wants to keep Medens

R. W. ENGINEERING

R. W. Engineering-a whollyowned subsidiary of Richardson Westgarth-has acquired the capital of Mangham Engineering for £69,500 cash. Mangham supplies, installs and maintains industrial compressed air equip-

Messina industrial boost THE INDUSTRIAL interests of owned Datsun-Nissan group of

ment will contribute almost managing director.

But this year will probably see the peak in the contribution from the group's automobile and industrial sector, as Messina is looking to expand its mining interests. In addition, the rise in South African car and truck sales over the past two years is. expected to level off in the next. 18 months.

Mr Whitfield said total earn-

South Africa's copper-producing companies will outpace the other Messina (Transvaal) Develop divisions in the group, he added. While car sales are expected ment will contribute amost while car sales are expected. 85 per cent to profits in the to rise only slightly above the year to September 30, according market average, Messina is look; to Mr Peter Whitfield, joint ing for a boost from growth in the commercial vehicle sector. The group recently consolidated its position as a supplier of heavy commercial vehicles with the purchase of Magirus-Deutz-South Africa

The main area for expansion in mining is coal, but much depends on export allocations to be amounced by the government later this year. Messina owns large reserves of coal, but does not yet have the incentive to ings will continue to rise quickly. start mining, Mr. Whitfield said.

Net attributable profits rose to R22.57m (£13.3m) in the year to September 30 1980, compared with R8.5m. The surge in earnings from Messina's wholly Africa; Mr. Whitfield said.

REPORTS TO MEETINGS

BBK moves to revitalise profitability

The money is to fund Atlantic's Brown Boveri Kent (Hold- Mr John Lutyens, the group the half-year result would be the six mouths to end April, the exploration programme in ings), the process control instruction chairman, told the meeting that poor, Mr L. Stevens stated. Chairman sated, but there had ireland and the U.S. In March mentation and metering system trading conditions continued to Order input had improved been some erosion of profit Controll two sections in an attempt to revitalise the flagging trend of profitability in the group, Mr Erwin Bielinski, deputy chairman, said after the annual

general meeting in London. The process control division design and manufacturing arm and a systems development company. The products section is now to be moved to the existing industrial measurements division, while the systems company will stand alone, Mr Bielinski said.

The move should make the products division better placed to meet the shift in client demand toward more advanced technology, he added. The reorganisation had led to

the departure of Mr Michael Knight, a former management member with responsibility for economic planning at the Kent Process Control

the company raised 152.5m in a manufacturer, had split its Kent impact on the short-term pros- slowly since the turn of the year margins. pound, however, if it lasting, should assist proved exports of certain sectors of the company's operations, he stated. Mr Bielinski added afterwards

that although the first half of the current financial year would still be difficult because of continuing redundancy payments, he was confident that these moves would lead to an improvement in the group's results for the year as Brown Boveri is 54.5 per cent

held by BBC Brown, Boveri of Switzerland. In 1980 the company earned pre-tax profits of £1.1m (£5.8m) and dividends

CITIBAN(•

were passed.
At other annual meetings chairmen reported as follows: The rapidly declining order intake of Fothergill and Harvey the second half of last year, led to very low levels of output in the first quanter of 1981 and

and together with the recent falls in the value of sterling against the dollar should result in a

better profit performance in the second six months. Overall, however, apart from the part-year contribution from H. D. Symons, "we are unlikely to see any improvement over last

year."
Low levels of demand had persisted throughout the first quarter in all UK divisions of Coates Brothers and Co., with profits only marginally above break-even point, Sir Richard A. Meyjes told members.

He added, however, that market shares were thought to have

There had been some improvement, in recent weeks, in level. of orders received, but it was still too early to say with any confidence that this was evidence of a durable upturn in business.

Overseas sales were ahead for

Mr Alistair J.

shareholders of L. J. Dewhurst Holdings, clothing manufacturer. that the group was on course to achieve its first-half sales target of over £11m with profits exceeding film.

He added that he was hopeful

the progress would continue in the second six months. More agency agreements for.

Fleetwood, a subsidiary of First Castle Electronics, had been negotiated to handle products in the UK, Mr L. Connor, said at the meeting. Agreement had been reached

with two Italian companies; Zetronic, which specialises in the production of high precision metal stampings used in electronics. and Betron, specialises in high quality quartz

The company was negotiating a number of other agency agree

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INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

The tide turns for hard currencies too

THE FEELING that U.S. dollar D-Mark foreign bonds meaninterest rates may finally have peaked gathered pace in all sectors of the interpational bond markets last week

ing

atmosphere of ell-pervading

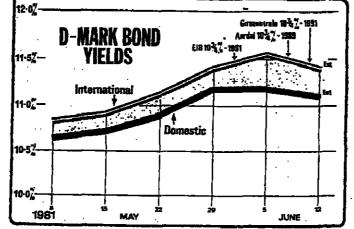
The root cause for this change in sentiment fles in the belief of investors that lower dollar interest rates — the six-month Enrodollar rate shed two points last week to 1611 per rose + point last week the cent will weaken the dollar more recent high coupon paper against the D Mark and Swiss gained more.

Foreigners who buy into these markets now are thus buying cheap bonds with what they perceive as cheap currency. Indeed the exchange rate consideration is paramount as any decline in yields in these sectors is likely to be gradual.
I'wo foreign D-Mark bond itsues were announced last week and both were well received. Euriber issues are expected

while gained a point.
The autraction of foreign
D-Mark paper has been made all markets last week the greater this month because, Dollar Eurobonds were able as the chart shows, it offers a to register small gains, in spite higher yield than domestic of a steady flow of new issues, paper. Even so, German bandliffe even returned to the hers insist that foreign investigations which will be the control of the hers insist that foreign investigations are the control of the hers insist that foreign investigations are the control of the hers insist that foreign investigations are the control of the hers insist that foreign investigations are the control of the hers in the control of the hers are the control of the hers as the chart shows, it offers a higher yield than domestic of a steady flow of new issues. D-Mark sectory which until very tors are also actively buying recently was languishing in an domestic bonds, partly because they are more easily traded than foreign D-Mark bonds. Swiss Franc bonds are also attracting foreign institutional investors for the first time in many months. While seasoned Swiss Franc bond issue prices

> The dollar sector meanwhile continues to function extremely smoothly, both where new issues and secondary market trading are concerned. A total of \$730m worth of new bonds was announced last week, just over half of which was accounted for by fixed interest paper.

Five new fixed-rate issues were announced, three of which for the EEC, GMAC, and this week. Prices of seasoned. Nova Scotia were tightly priced.



The GMAC 141 per cent bond to 1987 was selling very slowly indeed. The shere volume of paper for this borrower already in bond portfolios makes placing new bonds for GMAC an increasingly difficult task.

This second French bond The new issue market was also treated to two novelties tions last month proved more week. The first, a 13 per difficult to place than the 151 bond to 1984 for Elecper cent bond to 1996 for Caisse tricite de France, was backed Nationale des Autoroutes which was priced the week before last at par and started trading last

This is being done to allow in-

vestors to avoid paying with-

holding tax in France, man-

datory under French law in the

case of French paper of less

than three years maturity.

its low yield and partly appears to lie with the reluctance displayed by Central Banks to acquire French paper at the moment. The EDF bond was tailor-made for their requirements whereas the CNA issue was aimed at private institutional investors. A planned bond for another

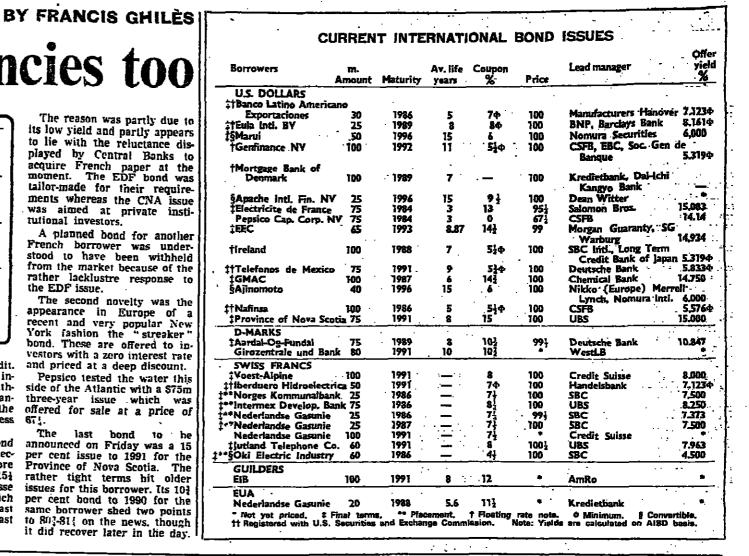
The reason was partly due to

French borrower was understood to have been withheld from the market because of the rather lacklustre response to the EDF issue.

The second novelty was the appearance in Europe of a recent and very popular New York fashion the "streaker" bond. These are offered to investors with a zero interest rate and priced at a deep discount.

Pepsico tested the water this side of the Atlantic with a \$75m three-year issue which was offered for sale at a price of

The announced on Friday was a 15 per cent issue to 1991 for the Province of Nova Scotia. The rather tight terms hit older issues for this borrower. Its 10} per cent bond to 1990 for the same borrower shed two points to 80]-814 on the news, though it did recover later in the day.



through Bank of America.

Credit Commerciale de France,

and Nippon Credit. INOS, the

public works authority, is

Credit Suisse First Boston.

US BONDS

BY DAVID LASCELLES

Waiting for the grip to slacken

THERE WAS another hesitant but unmistakable improvement fell over 100 basis points during in the U.S. credit markets last the week. But this was from week as interest rates inched the artificially high level to downwards across most of the

The better mood is likely to tors. last into this week and the showed the sharpest drop in over a month (MIA down \$2.4bn and MIB down \$2.9bn).

The Federal reserve however. continues to keep a tight grip on credit, creating a tension in the market which will have to evidence that inflation is subbe resolved before a major rally siding. Any sharp fall in the can be ignited.

U.S... INTEREST RATES (%)
Week to Week to Fed Finds widy avgs. 18.49
3-month Treas, bills, 14.55
3-month CD 18.60
30-yasr Treas, bond 12.81
AAA Utility 14.75 AAA Utility

which it had been boosted the week before by technical fac-

. Traders seem to be gambling market draws further encour on the Fed easing. They stoked gement from Friday's good up on new bonds last week monetary supply figures which evidently expecting that their short-term funding costs will is still in the 14 to 15 per cent come down soon and leave them range. with their heads comfortably above water.

However the Fed may be waiting for more conclusive Fed funds rate would also bring into question the 18 per cent penalty discount rate that the Fed introduced in April. What is clear, though, is that

the Fed is turning a deaf ear to foreign pleas for lower U.S. interest rates. Had it wanted to placate the Europeans and Jananese, it could have used the pretext of last week's easier market to let up. But It did

The average Fed funds rate not, a clear sign that its domestic preoccupations come

> Any major improvement in the market will also be self-limiting, as last week's upsurge advantage of lower rates, the corporate sector floated over \$1bn of new debt even though the going rate for top names Looking ahead, however,

ent up demand still amounts to billions of dollars from companies who may by now have come to think of 14 per cent money as a bargain. There may be a slight easing of demand from the Treasury, though. According to calculations by Salomon Brothers, first-quarter government borrowing (excluding non-marketables) could amount to \$9.5bn compared to \$26.8bn in the same period lastead, they opted to call for last year, and \$12.2bn the year a six months freeze on all before that. The drop has to proposed Reagan tax cuts.

CREDITS

the week-end of the proposed terms for rescheduling Polish debt has dealt a serious blow to the prospects for speedy resolution of a situation already made worse last week by the failure of Bank Handlowy, the country's foreign trade bank, to repay a

committee on Poland, decided arrangements in 1982 and 1983 as well as this year.

a six months' freeze on all do with the experiment of the ments with Poland to allow time for detailed discussion of the

New problems for Polish task force

THE UNANIMOUS rejection wide range of very complex the task force gloss over these announced by U.S. banks over issues involved. 30m floating rate note on time.

Meeting in New York, the 11 U.S. banks which form the country's national co-ordinating they could not be stampeded into an agreement which would set a precedent for rescheduling

This idea will be put to a cial credits together with loans full meeting of all U.S. banks whose repayment is linked to

owed money by Poland in commodity exports such as the Chicago this week and if they copper mine financing credits agree, it will be transmitted to the task force of international banks handling negotiations with Poland at its next meeting on banks for a rational solution of June 24 in Paris.

U.S. banks prefer to consider their decision not as being oball parties concerned.

has been given to the real get things moving again. prospects for Polish economic

they argue. when the Polish task force next industrial manus concern and the proposals put forward by meets in Paris in 10 days' is paying a 1 per cent margin period of six years.

problems, lumping pure finanamounts at short term. The development agency CVF is raising \$400m for one year at led by Chase Manhattan in 1975 a margin of a per cent over London inter-bank rates (Libor)

Yet if the desire of the U.S. these problems is understand- Kredietbank Luxembourgoise able, it comes against a background where Poland is now structive but rather as one which failing to repay securities as will lead to a more equitable well as bank loans. The agreement in the long run for country's economy is in tatters li parties concerned.

and it desperately needs a To date, too little attention rescheduling agreement to help

and 1978.

prospects for Polish economic European banks, who are recovery and the need for an acutely concsious of this, will agreement which will deal fairly thus be giving their U.S. with all types of bank credit, counterparts a very rough ride

Venezuela meanwhile condeal co-ordinated by National tinues to borrow happily large Westminster. Belgium has now launched its

BY PETER MONTAGNON

BFrs 70bn "crisis loan" on the domestic bond market. This is widely seen as a prelude to further major state borrowing on the Euromarkets although the country's telecommunications authority is already believed to be raising \$100m in a discreet deal through an unraising \$180m over one year at specified Japanese bank. A hotly contested mandate to

a margin of it per cent through raise \$80m has meanwhile been In Europe' Spains' electric awarded by the electric utility, Endesa has mandated authority of Bogota to a group Bank of America to raise \$80m of banks led by Bank of over ten years at a margin of America. The credit, which is partly a World Bank co-finanh per cent for the first eight years declining to 1 per cent cing, bears a margin of 1 per for the last two, while Italy's cent over ten years, and repaywhen the Polish task force next industrial finance concern IRL ments begin after a grace

FT INTERNATIONAL BOND SERVICE

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Nove Scotia 10% 90	. 5 0	823	833	-04	+0%	14,62 14,18
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OTHER STRAIGHTS

Boll Canada 104, 86 Cs

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S74, 883, +04, +04, -04, 15, 45

CIBC 134, 85 Cs

S0

S54, 874, 464, -04, 15, 45

Faderal Dev. 174, 90 Cs

S0

S64, 874, 464, -04, 15, 45

Faderal Dev. 174, 90 Cs

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S87, 897, -04, -04, 10, 28

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EUROBOND TURNOVER Cedel clear Last week Previous week 1,619.7 3,947.0 Other bonds Last week Previous week 403.2 503.5 * No information available-

previous day's price. † Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is billions. Change on week= Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Cdte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. CONVERTIBLE BONDS: De-

CONVERTIBLE BONDS: De-nominated in dollars unless otherwise Indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Per-centage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares. The list shows the 200 latest an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA: Banque Internationale Luxem-Algemene Bank Nederland NV: Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank: IBJ International; Kidder Peabody International; Manufac-Morgan Stanley International: Nikko Securities Company (Europe); Orion Bank; Salomon Brothers International; Samue Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull: Sumitomo Finance

Co.; Wood Gundy. Closing prices on June 12

International; S. G. Warburg and

All these securities having been sold, this advertisement appears as a matter of record only.



Nissan Motor Co., Ltd.

(Nissan Jidosha Kabushiki Kaisha) (Incorporated under the Commercial Code of Japan)

6 per cent. Convertible Bonds due 1996

S. G. Warburg & Co. Ltd.

Daiwa Europe Limited

IB] International Limited

Baring Brothers & Co., Limited

Credit Suisse First Boston Limited

Fuji International Finance Limited

Kleinwort, Benson Limited

Morgan Grenfell & Co. Limited

The Nikko Securities Co., (Europe) Limited

Swiss Bank Corporation International Limited

Société Générale

Yamaichi International (Europe) Limited

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THE RUBBER GROWERS'

ASSOCIATION LTD.

The Annual General Meeting of the Rubber Growers' Association was held on 12th June in London.

Mr. A. Hamilton, the Chairman, presided and made

The Association Report for the year 1980/81 has been circulated and deals sufficiently fully with our activities during the year not to require embellishment from me at this time. Instead I would like to use this occasion to speak very briefly about some of the problems and opportunities that face the plantations industry in the 1980s and beyond. To the extent that any of these remarks may be controversial, let me emphasise that they are personal observations, not necessarily the views of the Council of the RGA.

After two years as Chairman of this Association, during

which there have been some necessary changes in our structure. I am more than ever convinced of the usefulness of the RGA role. Cooperation between companies within the private sector of the Plantations Industry has been encouraged by the RGA for some 75 years and has been proved very beneficial to the member commanies themselves as well as to the planta-

to the member companies themselves as well as to the planta-tions industry generally. Looking shead I see continuing benefits from an intensification of that co-operative effort and from its extension into increasing collaboration with public

Some examples of currently effective co-operation between members of the RGA are worthy of mention. Firstly, the RGA

members of the RGA are worthy of mention. Firstly, the RGA Security Advisory Scheme is now about five years old and gives wide coverage to estates in Western Malaysia and, as mentioned in the Amual Report, has brought a significant reduction in crop losses from thest and other corrupt practices. It now looks likely that plantations operators in East Malaysia may soon adopt a similar scheme drawing on the experience gained from the RGA effort in Western Malaysia.

damage from the cocoa moth. This is a fine example of the

benefits of collaboration which cocoa estates in Western Malaysia can benefit from and which should have wider

Thirdly, another RGA member company, Unilever,

pioneered research into how oil palms are pollinated. From

this initiative and sided by a consortium of plantation com-

panies the Unilever researchers have developed most useful and surprising data on the vital role played by weevils in the

pollination process — something previously thought to depend on dispersal by wind in mature palms and needing manual

pollination in young trees. The benefits of this research are already available to oil palm growers from New Guinea to

I can see many opportunities wherein the benefits of working

together in this way can help overcome some of the problems

that lie ahead of the plantations industry through the 1980s;

for example, in relation to the problem of the growing short-

age of labour in Western Malaysia. A real shortage does exist

and although estate owners have done a great deal to upgrade wage levels and improve the amenities enjoyed by plantation

workers and their families, this alone is not sufficient to overcome the problem. It is hoped the Malaysian Government will play its part by offering employment, under suitable safeguards, to immigrant labour. However, even with this, the

problem of Scarce, increasingly expensive labour provides opportunity for members of the industry to join together to

plantations, operations, especially the more labour intensive work of harvesting and collecting crop.

There is no easy and quick answer to this problem but experience in other egricultural areas suggests that modern

technology could in the long term make a useful contribution to the labour shortage in our sodustry — given the determina-tion and the finance to tackle the job;

Secondly, there is the problem of a shortage of land in Western Malaysia, available to the private sector. To overcome this, members of the RGA have indicated to the appropriate

authorities that they are willing to consider a degree of direction as to the crops to be planted if, thereby, access to new land can be achieved. But additionally, members of our association have the opportunity to diversify geographically by expanding into other areas in ASEAN, such as Sabah, Indonesia, the Philippines and elsewhere.

The third point I would like to make is that while member

The third point I would like to make is that while member companies of the RGA may be interested in widening their geographic apread and while many potential host Governments say they would welcome investment by the private sector in their plantation industry, their laws sometimes do nothing to ease the way. In Indonesia, Presidential Decree 23 as presently drafted, effectively closes the plantation industry to foreign

investment despite the Government's wish to attract foreign capital to develop tree crops. Unless this decree is amended, and there are indications that amendments are currently

being considered, the only way member companies are likely to get involved in plantations in Indonesia would be by contracting to supply management services or by some produc-

tion-sharing arrangements. If the Indonesian Government seriously wants foreign investment in this area, perhaps it will respond to pressure from RGA member companies. In

other countries, e.g., the Philippines, there are no such constraints and it may be that the RGA can develop a role

in advising member companies of opportunities in these areas.

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There are but three illustrative examples - in the future

Secondly, in parallel with Government, members of the RGA are making a very worthwhile contribution by way of financial and other resources into research in Sabab to combat

sector interests in Malaysia and elsewhere.

the following observations:-

APPOINTMENTS

New chief for Constructors John Brown

BROWN. Mr Knight was previously chief executive of CJB Offshore, the division of Con-Mr. Hamilton on Opportunity for the RGA structors John Brown serving the

offsbore oil and gas industry.

HERBERT WATSON INTER-NATIONAL has appointed Mr David Williams as marketing and development director of its inter-national transportation division. Mr Williams was previously managing director of Giltspur Bullens Freight and marketing director of Giltspur.

Mr John Keetley and Mr Jim Shann have been appointed joint managing directors of MANSTON (CONTRACTORS).

Mr Donald Davis and Mr Leslie Perkins have been appointed members of the DOVER HARBOUR BOARD by the Transport Secretary. Their Transport Secretary. Their terms of office run for three years until April 30 1984.

Mr John Leah has been appointed managing director of CO-RIST PUMPS, part of the Bruitbind Engineering Group.

Mr K. Linfoot, Mr T. C. Stevenson and Mr P. J. Gilman have been made directors of ESPLEY-TYAS PROPERTY GROUP. Mr Linfoot is managing director of the property division of the Group. Mr Stevenson is secretary of the company and has been for the past ten years finance director and secretary of Espley-Tyas Construction Group, which is now the construction division of the Group. Mr P. J. Gilman is chief executive of Manston Development Group in which the company has recently acquired a 55 per cent interest. Mr Fergus Gleave has been appointed managing director of overseas division. Mr Gleave has been engaged for many years in property developments both at home and abroad and is

Mr John Lindesay-Bethune has been re-elected chairman of the WESTMINSTER CHAMBER OF COMMERCE for a second year. * Two new vice chairmen have been elected—Wis Norah Tew hourd of OLYMPIC HOLI-DAYS, as a hon-executive director.

* HERBERT WATSON INTER-

> Mr Alan Kelwick and Mr John Sargent have both been appointed associate directors of BOSKALIS WESTMINSTER, the UK holding company of Royal Boskalis Westminster ny of Sliedrecht, the Netherlands.

Mr. Stephen H. Sington, son of one of the founders of BLANKSTONE SINGTON AND CO., stockbrokers, and an associate member, will become a partner on June 15.

Mr Alec Gibbins has been appointed managing director of DUPLE SERVICES, a new company formed to handle the parts and service activities of Duple Coachbuilders, of which Mr Gibbins was managing director. Mr Richard West takes over as managing director of Duple Coachbuilders. He was formerly managing director of Duple (Metsec). Mr Jeremy Stoke, formerly commercial director of Duple (Metsec) becomes the managing company's new

Mr Frank T. Davies, secretary and Group controller, has been appointed managing director of W. WILLIAMS AND SONS (HOLDINGS). Mr Chris Phillips has been made a director.

Mr T. P. Littlejohns, Londonbased operations director, has been appointed managing direc-tor of KUEHNE AND NAGEL from July following the decision of Mr H. D. Fleischmann, the current managing director, not to extend his contract with

company for a transitory period.

Mr R. Graham Lewis has been appointed appointed a non-executive director of the REO STAKIS director of the REO STAKIS by Mr Frank Ledger. Dr Derrik ORGANISATION of Glasgow. He Littler, the present directorwas previously with Grand Metropolitan.

Mr David A. Gill has been appointed marketing director and Mr Olaf Le R. D. Hoeg, sales director, of IVECO (UK).

Mr Norman Pertwee, chief executive of the PERTWEE GROUP, Colchester, has become chairman in place of Mr Norman Pertwee who has retired. Mr Robin Patten has been made deputy to Mr Christopher Pert-wee and Mr Michael Pertwee is now responsible for the seeds now responsible for the seeds division. Mr Leslle Childs, grain manager, joins the board of Frank Pertwee and Sons; Mr Geoffrey Ball becomes a director of Pertwee Landforce; and Mr John Lister is made a director of Pertwee Antool.

The director general of the National Economic Development Office has appointed Mr Stuart Mollander as chairman of the COTTON AND ALLIED TEXTILES ECONOMIC DEVELOPMENT COMMITTEE IN succession to Mr Bill Barnes who has retired. Mr Hollander was previously an independent mem-ber of the EDC. He is a director and senior vice-president of Kurt Salmon Associates.

Dr Trevor Broom is to become director-general of the research Danish Seaways in division of the CENTRAL as financial manager-

Mr Bruce Kuight has been currently working on develop-appointed chief executive of ments in the U.S., Canada and mann will remain with the BOARD on August 1 but from CONSTRUCTORS

JOHN Belgium on behalf of the Group. company for a transitory period. July 1 will be director-general July 1 will be director-genera (designate). He will be succeeded as director of operations at the beginning of next month general of the research division, has been appointed principal of the CEGB staff college at Bricket

Hr Hugh Rees, has been appointed a director of C. H. BEAZER (HOLDINGS).

Wood from August L

Wr Mike Saunders has been appointed managing director of FRIMOKAR (UK). The company has been formed to promote the sale of a large range of municipal and airport vehicles, made by Frimokar—an associated manufacturing company in Switzerland.

Mr Koichi Kimura, managing director of DAIWA EUROPE. London, will be returning to Tokyo next month to take up a new appointment as general manager, international finance department. Mr K. Fullmoto. executive vice president of the New York office, will take over Mr Kimura's position as managing director and general manager, except corporate finance and new issue division which will be under the manage ment of Mr V. Onda, newly promoted managing director.

Mr Julian Coombes has been appointed by DFDS (UK) to the new post of financial director. Mr Coombes joined DFDS

Underground winners named

VICTORIA UNDERGROUND North Weald on the rural station which is used by nearly as many passengers a year as the population of the UK and North Weald which is used by only a few hundred a day are among the winners of London Transport's station proficiency awards this year.

Victoria-the second busiest underground station - and Epping-Ongar branch of the Central Line are among 15 stations chosen.

The annual competition is judged on standard of service, commendations from

sengers, economy in the use of stores and the condition of equipment. (Room 17, 10.45 sm.) Public Accounts. Subject: qualification of certificate to HMSO accounts. Witness: Controller of HMSO. (Room 16, 4 pm.) Transport.

of has U. (noom 10, 4 pm.) I ransport.
Subject: transporation in London. Witnesses: ASLEF, NUR: TSSA. (Room
17, 4.15 pm.) Treasury and Civil Service sub-committee. Subject: efficiency
and effectiveness in the Civil Service,
Witness: Lord Crohem. (Room 15,
4.30 pm.)
THIRISDAY Lords—Transport Act 1962 (Amend-Lords—Transport Act 1962 (Amend-British

Lords—Transport Act 1962 (Amendment) Bill, second reading. British Telecommunications Bill, report stage. FRIDAY

Commans—Private Members' Bills.

Lords—Local government and Planning (Amendment) Bill. committee stage.

Future of Lloyd's Bill in doubt

BY JOHN MOORE

self-regulation within its insur- cates, and he will be less inyears, is now in doubt.

INSURANCE

Lloyd's Underwriting Agents Sir Henry. near-20,000 members of Lloyd's managing agents and members' affairs, has told underwriting agents. Members would resign, agents that the private members says Lloyd's, if the management against a key proposal required change because of a Parliamen-by Parliament for inclusion in the Bill. ship should be urged to vote

While the Lloyd's market is annoyed with the Parliamentary requirement that brokers should divest themselves of their underwriting interests because of conflicts of interest, they are openly alarmed by another requirement of Parlia-

A House of Commons committee, chaired by Mr Michael Meacher (Lab., Oldham W.), has said that the Lloyd's Bill ought to be amended to "preclude managing agents from acting as members' agents."

This means that managing gents, the groups which look after and manage underwriting syndicates at Lloyd's, would no longer be able to introduce members of Lloyd's to syndicates which is the function of a members' agent. The decision has wide implications. It is this decision which members of Lloyd's will be asked to vote against.

A typical syndicate at Lloyd's. the units into which all members of Lloyd's are grouped. will probably not only include members for whom the managing agents acts as members' agent but also members who have been placed on the syndicate as a result of sub agency agreements between the managing agent and different members agents.

The most common type of inderwriting agent at Lloyd's is one who acts as both a managing agent and a members' agent. Many agents act only as agencies. members' agents while at least

There is a conflict of interest managing and recruiting capa-city which was identified by Sir suade Parliament to drop its

THE FUTURE of Lloyd's Bill cates, his knowledge will tend to of Parliament for improving be confined to his own syndiance market, its first major clined (and perhaps less well legislative change in over 100 able) to place members on a range of syndicates, observed

Association, representing the groups which look after the should not take place between says Lloyd's, if the management of their affairs is forced to

> premium, would be fragmented if underwriters were forced to choose between acting as a pure underwriter or as an introducing members' agent. Moreover, the

insurance brokers would still be able to own members' agencies and therefore be able to dominate the market influencing capacity flows and therefore underwriting judg-ments. If Lloyd's brokers seek to consolidate their members' agencies operations, through acquisitions, when they are forced to divest themselves of their managing agency interests, the brokers could still remain the most powerful force in the

The active underwriters, says Lloyd's, would be enfeebled, if they could not provide, free from influence, underwriting capacity for their own syndi-

cates.

Divorce of managing agents and members' agents was not recommended by Sir Henry Fisher, or Lord Cromer, who studied Lloyd's affairs 12 years ago. Sir Henry Fisher saw no real objection to brokers owning members' agencies because through their international clientele the brokers are well placed to introduce members to Lloyd's, which will always need a steady supply of new mem-

But the House of Commons committee has perceived a conflict of interest between managing agencies acting as members'

What is required is for us one agent acts as a managing in the public interest to see agent, purely running a syndicate but not recruiting his own members. whether additional provisions are necessary (to the Bill) even if Fisher himself did not recommend them." when an agent acts in both a mons committee told Lloyd's.

Henry Fisher, who studied proposal that managing agents Lloyd's self regulation, and the should be precluded from House of Commons committee. acting as members agents. A managing agent may tend to Lloyd's may be forced to with-

ment.

Lords—Insurance Companies Bill,
third reading. British Taleccommunications Bill, report stage. Motion to
approve Sheep Variable Promium (Protaction of Psyments) (Amendment)
Order 1981. Industrial Diseases
(Notification) Bill, committee stage.
Select Committees—Energy. Subject:
anergy conservation. Witnesses:
Building Research Establishment and
the Dept. of the Environment: British

FINANCIAL TIMES

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FAST SERVICE

Building Research Establishment and the Dept. of the Environment; British Gas. (Room 6, 4.30 pm.) Public Accounts. Subject: control of Civil Service manpower. Winessee: Civil Service Dept. (Room 16, 4.45 pm.) Treasury and Civil Service. Subject financing of nationalised industries. Witnesses: Treasury officials. (Room

Commons—Contempt of Court Bill, remaining stages. Debats on the report of an inter-party group on the Government of Scotland and on motions relating to amendments to Standing Orders for Scotlan business. Lords—Social Security Bill, committee stage. Iron and Steel Bill, committee stage. Iron and Steel Bill, committee stage. Licensing (Alcohol Education and Research) Bill, second reading. Disabled Persons (No. 2) Bill, committee

Commons—Debate on the problems of the North-west region, motion on EEC documents on food eld manage-15, 4.45 pm.) TOMORROW

motion on Armitage report on lorries, people and the environment. Remain-ing stages of the Town and Country Planning (Minerals) Bill.

Planning (Minerals) Bill.

Lords—British Railways (Pension Schemes) Bill—third reading. Wallerwang Collieries, Limited Bill, third reading. Debate on the advantages of EEC membership to the UK. Debate on Ediaburgh road scheme.

Select Committee—Industry and Trade. Subject European air fares. Witnesses: Laker Airways. Civil Aviation Authority. (Room 16, 10.45 am.)

Transport. Subject: transfer of the testing of heavy goods vehicles and public service vehicles to the private sector. Witnesses: Confederation of British Road Passenger Transport.

COMPANY NOTICES

Further to the DIVIDEND DECLARATION of 18th May, 1981, NOTICE is now given that the following distribution will become payable on and after the 15th June, 1981, against presentation to the Depositary (as below) of Claim Forms listing Bearer Depositary Receipts.

LESS 15% U.S. WITHHOLDING TAX .45

CENTS

Bardays Bank Limited Securities Services Department

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN OKUMA MACHINERY WORKS, LTD.

Approval of Financial Statements and proposed appropriation of net profits for Fiscal Year ended March 31, 1981.
 Election of 12 Directors, 3. Election of 2 Auditors.

Approval of administration of members' salaries.

(Full text of Notice is available Citibank, N.A., London.)

Citibant, N.A., London.)

Shareholders who wish to exercise their votage rights must denosit their curtificates not later than June 19, 1981 at the offices of the Depositary, Citibant, N.A., 326 Strand, London WCZR 1H8, or the Agent, Citibant (Luxembourg) S.A., 16 Avenue Marie Therese, Luxembourg, together with instructions indicating the way the shares be voted.

BANK LEUMI LE-ISRAEL B.M. (Incorporated in Israel)

Grand Leibni Leibrael R.M.

(Incorporated in israel)

TO THE HOLDERS OF
ORDINARY STOCK

NOTICE IS HEREBY GIVEN that an
EXTRAORDINARY GENERAL MEETING
of the Bank will be held at its Meeting of
the Bank will be held at its Registered. Tol
Aviv. on Surposal 1999 at 10,00 a.m.
thought the passing the following Report
thought the Articles of Association of the
Company be amended as follows:

By the deletion in Article 6 of the
words "three fourths of" and the
substitution therefor of the words "lisued
by the Company and "these words all"
be the deletion of the words "lisued
by the Company and "these words on
to appear in the English translation of
the Articles of Association in Paragraph
(1) of Article 1228.

By the deletion in Article 124 of the
words "three last preceding Articles"
and the substitution of the words "tour
last preceding Articles"
de by the deletion in Article 124 of the
words "of less value than II.1" and
By the deletion in Article 124 of the
words "of less value than II.1" and
By the deletion of therefor of the words
"whose value is equal to less mount
at may, front time to time, be permitted
by the Stock Exchange ispon walch the
shares of the Company may then be
listed."

By Order of the Board, A. SULLAM, Adv.

June 15. 1981. ·

CITIBANK, N.A., London

CO., LTD.

AGENDA

June 15, 1981.

ART GALLERIES

BROWSE & DARBY, 19, Cork St., W1, 01-734 7984. LESLIE HURRY, Artist of Dream & Theatro.

IVOR BRAKA, 24. Pont St., SW1, 581 2986. Francis Bacon, David Bombers. Ben Micholsoo, Matthew Smith, Stankey Seencer. Graham Sutherland and other 20th Cathury British Artists, By appt. only.

LEFEVRE CALLERY, 20, Bruton St., W1. 01-492 1572/3. AN EXHIBITION OF IMPORTANT XIX & XX CENTURY WORKS OF ART. Most.-Fri. 16-5, Sats. 10-1.

MATHAF GALLERY, 24, Motcomb Street, London, SW1, 01-235 0010. Exhibition —The Horse in Art of Arabia.

GENERAL MOTORS CORPORATION

GROSS DISTRIBUTION PER UNIT 3.00 CENTS

2.55 CENTS PER UNIT CONVERTED at \$1.9500 = 1.30769 PENCE PER UNIT

54 Lombard Street, EC3P 3AH

15th June, 1981

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN NISSIN FOOD PRODUCTS The Annual General Meeting of share-bolders of Okuma Machinery Works, Ltd. will be held on June 25, 1981. AGENDA

The Ordinary General Meeting of shareholders of Nissin Food Products Co., Ltd. will be held on June 26, 1981.

Approval of Financial Statements and proposed appropriation of after tax profit for Fiscal Year ended March 31, 1981; 2.

 March 31, 1981; 2.

 Partial amendment of the Articles of incorporation.

 Election of 16 Directors.

 Election of 2 Statutory Auditors.

 Figure of incorporation appropriate the property of the property of

J. Election of a B Directors.

J. Election of 2 Statutory Auditors.

S. Proposed increase in annual remineration paid increase in annual remineration paid increase in annual remineration paid increase in an annual remineration paid increase in a statutory Auditors.

Peyment of retirement allowances to retiring Statutory Auditors.

(Full text of Notice is available at Citinank, N.A., London.)

Shareholders who wish to exercise their corificates not later than June 19.

19861 at the offices of the Depositary.

Citinank, N.A., 335 Strand, London WCZR 1HB, or the Agent. Citinank (Luxembours) S.A., 16 Avenue Marke, Therse, Luxembourg, together with Instructions Indicating the way the shares be voted.

CITIBANK, N.A., London. CITIBANK, N.A., London.

COLNAGHI, 14. Old Bond St., W1. 01-491 7408. Exhibition: Objects for a "Wunder-kemmer." Mon.-Fri. 10-5.30.

MARLBOROUGH, 6, Albemarie St. W1. IRVING PERM 60 photographs in platinum metals: Images 1947-75. Undi 19 Jupe.

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows, 189, Resent St. 734 0557. GARGOYLE, 69. Daza Street, London, W1, NEW EROTIC FLOORSHOW
11-3-20 am. Shows at Middleht and 1 am. Moss-Fri. Closed Seturdays, 01-437 6455.

CLUBS

The Ordinary General Meeting held on May 30 under the chairmanship of Mr Mantelet approved all the resolutions proposed by the Board.

It set the dividend, similar to the one of the preceding year, at 4 francs—supplemented by a credit tax of 2 francs already paid to the Treasury—thus an overall revenue of 6 francs. The dividend will be payable as of June 18 (coupon No. 11).

In order to distribute shares to employees, the Extraordinary General Meeting held at the end of the Ordinary General Meeting has given full power to the Board to proceed to a maximum increase of 3% of the present capital of the Company.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN NIPPON SHINPAN COMPANY, LIMITED

The S4th Ordinary General Meeting of shareholders of Nippon Shirpan Co., Ltd. will be held on June 26, 1981.

1. Approval of Financial Statements and appropriation of profits for the 54th Fiscal Year ended March 31, 1981.
2. Partial amendment of the Articles of Incorpation.
3. Election of 28 Directors.
4. Election of 3 Statutory Auditors.
(Full test of Notice is available at Citizank, N.A., London.)
Shareholders who wish to exercise their votins rights must deposit their carlificates not later than June 19, 1981 at the offices of the Depositary, Citizank, N.A., 536 Strand, London Citizank, N.A., 536 Strand, London WC2R 188, 1981 of the Sententiary Citizank (N.A., 536 Strand, London Human Co., Luxembours, Company of the Depositary, Citizank (N.A., 536 Strand, London Human Co., Luxembours, Company of the Strands of the Citizank (N.A., Strandson) and the colors of Departions for the very ended March 31, 1981 of Nippon Shinpan Co., Ltd., are now available to EDR holders, uson application, and the offices of the Depositary and Agent as shown ladge.

CITIBANK, N.A., London.

aboye.

CITIBANK, N.A., London.

Depositary.

June 15, 1981,

IMPERIAL JAPANESE GOYERNMENT IMPERIAL JAPANESE GOVERNMENT
6°2 STERLING LOAN OF 1982/88
The Bank of Tokyo, Ltd., are instructed
by the Japanese Government to
announce that the COUPONS due 30th
June 1981, No. 35 detached from
enfaced bends will be paid on and
after 30th June 1981.
They should be presented for payment at The Bank of Tokyo, Ltd.,
20/24 Moorgate, London EC2R 6DH,
listed on the forms provided, between
the hours of 10 am. and 2 p.m.,
They must be left at least five clear
days for examination prior to payment.
Coupons cannot be accepted through
the post.

post, for THE BANK OF TOKYO, LTD.
for THE BANK OF TOKYO, LTD.
Resident Managing Director
for Europe and
General Managing
London Office 15th June 1981.

NOTICE TO EDR MOLDERS

Further to notices of Sebruary 26 and March A. 1981, The Chase Manhattan Bank N.A., London, as Depositary Informs EDR bolders that the free distribution of shares, and the vear-end cash dividend of Yen 9.50 per share have now been received in Tokyo. With respect to the free distribution, EDR holders should now present coupen No. 11 in order to claim the first should now present coupen No. 11 in order to claim the entirement at the offices of the NA., Woodga the hase Manhattan Bank Luxembourg. EDR holders should submit delivery and registration instructions covering their entitlement of new sharos when presenting Coupon No. 11.

The year-end cash dividend has been converted to U.S. Dollars and amounts to \$41.69 gross per EDR. Accordingly EDR holders should submit delivery and registration for the transport of the Depositary's Agent. EDR holders are further informed that all presentions will be subject to seduction of Japaneze withholding tax if any) at the appropriator rates and representative Parameters will be subject to seduction of 15°, Japaneze withholding tax and the application of 15°, Japaneze withholding tax and the application of any Double Tax Treaty concluded with Japan. Addition with percentage in the Case where a withholding tax at less than 20°s is to be used.

THE CHASE MANHALTAN NOTICE TO EDR HOLDERS THE CHASE MANHATTAN
BANK, N.A.,
London, as Depositary.

MICHII CO. LTD.

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☐ Tel. (Imern.) 32 - 87 / 77 39 16. ☐ Information in England : Tel. 02 27 / 71 08 69.

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of Lloyds Bank Limited as Registrar

the address below.



Lloyds Bank Limited, Registrars Department, Goring by Sea, Worthing, West Sussex BN12 6DA. Telephone: Worthing 502541 (STD code 0903)

Lloyds Bank Limited

Notice is hereby given of the appointment All documents for registration and correspondence should in future be sent to

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The Notes of \$5,000 each constituting the above issue have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the Notes. Interest is payable semi-annually in arrears in June and December, the first payment being due on 29th December, 1981.

Particulars of the Notes are available in the statistical services of Extel Statistical Services Limited and copies may be obtained during usual business hours up to and including 29th June, 1981 from:

Banque Nationale de Paris Limited 8-13 King William Street London EC4P 4HS

Barclays Bank International Limited 54 Lombard Street London EC3P 3AH

Cazenove & Co. 12 Tokenhouse Yard London EC2R 7AN

15th June, 1981







Kenana Sugar Company Limited

CANE TRANSPORT **EQUIPMENT**

- of Twenty Semi Trailers, 110 "One Hundred and Ten" Containers and Two Fork Lifts.

12 Claridge House, 32 Davies Street. London W1Y 1LG.

Telephone: 01-499 5175/6

- Tenders must be accompanied by 2% deposit of the value of the tender to
- months after receipt of a confirmed purchase order.
- Other terms and conditions of this tender are attached to the specifications. Bidders must adhere to these terms and conditions.
- 6. Quotations in triplicate including all accompanying data in triplicate separately bound shall be enclosed in a sealed envelope with supplier's name and address and marked as follows:-

Kenana Sugar Co. Ltd.

P.O. Box 2632

Khartoum—Sudan

7. Closing date for this tender is 12 noon Sudan Local Time 15th July 1981.

A/Azim Ahmed Mahgoub Purchasing Manager K.S.C.

Khartoum-Sudan

CONTRACTS

£23m building works in Yorkshire

MANSTON DEVELOPMENT area envisaged in the CIS deveGROUP has won two major lopment, valued at over £10m, is improve the communications net 1330,000 to supply the complete improve the communications net 11kV airbreak switchgear for work and will be installed both 11kV airbreak switchgear for the communication of £22m.

aggregate value of £23m. Systime, Leeds-based computer group, has commissioned the design and construction of new situated on the south Leeds ring road. The 340,000 sq ft building will be partly two-storey for the housing of both offices and research and development areas and partly single-storey to the rear where computer assembly storage areas will be

At Wakefield 41, the Espley-Manston-owned 241 acre distri-bution and industrial site, completion of the sale and development funding agreement for 27 acres has been effected with the Co-operative Insurance Society. Infrastructure works are under construction including the formation of a roundabout and a dual carriageway spine road to serve the estate. Total floor

live Discount, 1. Royal Exchange Avenue, EC. 12.00 Joilar Land, Winchester House, 100, 016 Broad Street, EC. 12.00

Dollar Land, Witchesser House, 100. Unserval Street, EC. 12-00
European Ferries Chartered Accountants Hall, Mongrate Place, EC. 11-30
Grovehell Grapp, Boston House, 53-64. New Broad Street, EC. 12-00
Hammerson Property and Inv. 7st., 100. Hammerson Property and Inv. 7st., 100. Street, 100. Hammerson Property and Inv. 7st., 100. Viking Resources Tst., Abercom Rooms, Graat Eastern Hotel, Liverpool Street, EC. 12-00
Wigglins Teape (UK), Gateway House, Basing View, Basingstoke, Hants, 12-45. Wolstenholme Rink, Springfield Works, Seringfield Works, Seringfield Works, Seringfield Works, Seringfield Works, Seringfield Works, Scringfield Works, Seringfield Road, Streptes, Botton 12-00 Young Companies Inv. Tst., 20, Cannon Street, EC. 12-00.

DIVIDEND & INTEREST PAYMENTS--lcan Aluminium (UK) Db. 44pc
Indahl Corp. 10cts
Indahl Corp. 36cts
OC. 1ntnl. Dbs. 44(88) 44(90) 54pc

ays Overseas Inv. By Gtd. Fitg. Rate es 1990 US\$101.74

Notes 1990 US\$101.74

Bitse Circle Inds. 109
Continental Grp. Inc. 60cts
Continental Union Tst. 4.25p
Cooper (Frederick) 0.5p
Cummins Engine Inc. 45cts
Dana Corp. 40cts
Dover Corp. 26cts
Drayton Premier Inv. Db. 2 apc
East African High Commission 54pc. 77-83
(Riys. and Harbour) 2 apc. 54pc 77-83
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(ricsson (L. M.) (Telefonaktiebolaget)
(ricsson (L. M.) (Telefonaktiebolaget)
(rics) 5kr 8-50. (Br.) 5kr 8-50
Greece 5pc 1890 (Piraeus-Llarissa Railway)
(Assd. with Acceptance Cort.) 2 apc.
Stig. Fdg. Eds. of 1985 2 apc
Guardian Inv. Tst. Db. 2pc
Guardian Royal Exchange Assurance Ln.
3 app.

Land and Exploration 45cts Midland and General Tst. Fund

its 5.2p cBds. 1991 43pc edical Ind. Inc. 9cts

oung Companies Street, EC. 12.00 BOARD MEETINGS- five separate industrial units embassies and diplomatic mistotalling 136,000 sq ft.

PORTASILO is to supply 33 relocatable secure storage units to Agent Plant Hire, Crayford. £33,000 order comprises three each of the Portastor 840 (8.4 metres in length), 720 (7.2 metres) and 480 (4.8 metres) allsteel relocatable secure storage units, and 12 each of the firm's "mini-strongrooms," the Toolvault and Flamvault units.

REDIFFUSION SYSTEMS has won an order from the Foreign and Commonwealth Office for receiver preselectors worth almost £300,000. The order covers the supply of the RFS11 which provides automatic pre-selection facilities for HF receivers over the range 1-30MHz. The preselectors are

year's timetable. Sandwell 13pcRed. 1982 51pc Sea Containers Atlantic US\$1.4625. Pid. US\$0.365625 Seagram 35cts

SW. 12.00 elephone Rentals. To use College.

Agricultural Mortgage Corp. Var. R
Bds. 10/6/83 £7.7881
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Verstone Invs. 1.5cts
initins 1nds. 3.7p
un Life Assurance Society 4.5n

Assurance Society 4.5p
Biscolis Ln. 25ppt
WEDNESDAY, JUNE 17
ANY MEETINGS—

inds., St. John's. Smith tminster. SW, 12.00

phase of the scheme comprising in the UK and overseas, in

AVIS has been awarded an exclusive contract for a five-year period with British Airways to handle the airline's worldwide flydrive business which is worth more than film a year. Avis will gain all worldwide inbound BA prime contractor for engineering flydrive business into the UK and Channel Islands: the car rental company will also take over all of the airline's UK domestic fly. drive operations including Shuttledrive on the main trunk routes, as well as the Concorde chauffeurdrive services at London, New York and Washington airports. Avis will also take over all flydrive business with BA between the UK and the Republic of Ireland.

rd inv. Tst., 41. Bisho

EEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are

11kV airbreak switchgear for Mobil's Beryl "B" production platform in the North Sea. The contract includes a complete 11kV switchboard, with generator protection cubicles for the plat generators, and complete feeder and 11kV motor protection. The contract was placed with Brilish

> construction for the Beryl B William Press is equipping every one of its 600 site gangs with a cable avoiding tool, made by TION. All site staff will be trained to use them prior to any excavations to avoid danger to personnel and the high costs involved in damaging buried

Brown-Boveri by Bechtel the

procurement and managem

cables. The contract is worth

meed Conse

INTEREST PAYMENTS-

not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last s Trust of Scotland, 29. Charlotte Edinburgh, 12.00 Appyn, White Lion Court, Corn-

عف≥ عيا

À=± :: :; -

원도 ::: P2=

dusing

New ora:

P Marie

CONTRACTS AND TENDERS







TENDER FOR THE SUPPLY OF

- 1. Kenana Sugar Co. Ltd. Khartoum "Sudan" invites tenders for the Supply
- Specifications and Drawings of the required equipment can be obtained from Kenana Sugar Co. London Office

Telex: 21796

- be completed to 10% by the successful tenderer(s).
- Equipment to be delivered and ready for operation on Kenana Site five

"CONFIDENTIAL QUOTATION DOCUMENTS CANE TRANSPORT EQUIPMENT" and must be addressed to:-Managing Director

COUNTRY ROAD BOARDS THE HIGHWAY AUTHORITY FOR THE STATE OF VICTORIA AUSTRALIA

WESTGATE FREEWAY PROJECT SOUTH MELBOURNE SECTION

PRE-REGISTRATION OF CONTRACTORS

CONSTRUCTION OF

ELEVATED CARRIAGEWAYS

The West Gate Freeway will be Melbourne's major eastern approach road to the West Gate Bridge. The elevated section of the freeway will consist of two parallel bridges, each 1.85 km long. The contract for the elevated carriageways for which pre-registration is now being invited includes the construction of the superstructure, pile caps and pier shafts. The superstructures comprise post-tensioned box girders designed for construction by the balanced cantilever rechnique using match-cast concrete segments placed by overhead erection equipment.

The estimated value of the work in this contract for construction of the elevated carriageways is in the order of A\$38.000,000.

A brochure describing the work in more detail and application forms for registration as a Tenderer are available to prospective Tenderers on request in writing or telex to:

The Secretary - Country Roads Board 60 Denmark Street, Kew. Victoria, 3101 AUSTRALIA Telex 31650

Contractors with substantial experience in the class of works proposed and who are interested in tendering are invited to apply for registration

Completed application forms shall reach The Secretary at the above address on or before 3.00 pm on 13 july 1981. It is the intention of the Board to register suitable applicants who, by individual letter, will be invited to tender for the work in accordance with the Tender Documents.

It is expected that an invitation to tender will be sent to registered applicants in September 1981 with a tender period of twelve (12) weeks. For further information refer to the full advertisement in this paper on —?— April, or contact:

The Resident Engineer — Bridgeworks 28-40 Moray Street. South Melbourne, Victoria, 3205 AUSTRALIA Telex 31650 Telephone No. (03) 699 6944

NOTICE TO ENGINEERING/CONSTRUCTION CONTRACTORS

YEMEN GENERAL ELECTRICITY CORPORATION SANA'A, YEMEN ARAB REPUBLIC

Invitation for Prequalification for Field Engineering/Construction and Erection of Regional Electrification Project, Credit 1702-YAR

The Corporation is presently prequalifying Engineering/Construction Contracts for field engineering/construction and erection of the Rural Component of the Regional Electrification Project. The Project Wiral Component of the Regional Electrification Project. The Project will be partly financed from an IDA Credit of US\$12.0 million. The Project consists of approximately 55 km of 33-kV line, two 33/11-kV substations, 300 km of 11-kV line, 300 km of LV circulated and the project of the proje 13 MVA of distribution transformers, two 100 kV diesel-electric generators and 9,000 services. Materials for the Project will be furnished by YGEC from a separate tender.

Prequalification proposals are invited from qualified contractors from IBRD member countries, Switzerland and Taiwan. The proposals will be received by the Yemen General Electricity Corporation (YGEC) at the office of the chairman, P.O. Box 178. Sana'a, Yemen Arab Republic until July 15, 1981 for qualifying as a prospective bidder on the construction and erection of the Regional Electrification Project.

Prequalification documents will be available by June 1, 1981 and can be obtained from YGEC at the above address or their consultants, NBECA International. Ltd., P.O. Box 1892, Sana's. Yemen Arab Republic or at 1800 Massachusetts Avenue, N.W., Washington, D.C. 20036, U.S.A.

YEMEN GENERAL ELCTRICITY CORPORATION



NATIONAL ELECTRICITY BOARD OF THE STATES OF MALAYA PORT KLANG POWER STATION — PHASE I. LING AND EARTHING — CONTRACT No. 31/7 NOTICE OF INVITATION TO TENDER

The National Electricity Board (NEB) of the States of Malaya plans to invite tenders by August 1981 from manufacturers for the supply, installation and testing of cabling and earthing for Phase 1 of Port Klang Power Station on the West Coast of Peninsular Malaysia. Phase I of the development consists of two 300 MW gas/oil fired boilers, turbine generators. EHV switchgear, transformers, auxiliary switchgear, cabling and associated ancillary plant. The scope of work for the Cabling and Earthing Contract includes:

11 kV and 6.6 kV XLPE insulated power cables with copperations.

415 V ac and 220 V dc PVC insulated power cables with copper

conductors

Multicore and multipair control cables with PVC insulation and copper conductors

Special cables as required

Cable trays and support steelwork

Main station and fence earthing systems.

All ancillary equipment such as joints, terminations, etc.

necessary to complete cabling and earthing installations Site computer for cable contract management

A "Brief Description of Works" may be obtained from Ewbank and Partners Limited at the address given hereunder. It will be necessary for tenderers quoting for this contract to have proven experience in the installation and management of major power station cabling works, and shall have worked in countries other than that of their hase Manufacturers who wish to tender for this contract are requested to state their intention in writing by 31st July 1981 to the offices of

Ewbank and Partners Limited. The procedures to be followed in obtaining documents are contained in the Brief Description of Works.



Ewbank and Partners Limited Prudential House North Street Brighton, BN1 1RW United Kingdom

REPUBLIQUE TUNISIENNE ENTREPRISE TUNISIENNE D'ACTIVITES

PETROLIERES

INTERNATIONAL TENDER OFFER EL BORMA LPG RECOVERY FACILITIES CONSTRUCTION

To construct its LPG recovery facilities from El Borma Associated Gas "L'Entreprise Tunisienne d'Activités Pétrolières (ETAP) "is publishing an international Tender Offer for a turnkey

construction of: Compression and refrigeration unit at El Borma;

300 km long, 6" diameter pipeline between El Borma and Gabes; Fractionation plant at Gabes. Those most directly interested in this present Tender Offer with good qualifications and

justified specific references can from now withdraw the bid documents from ETAP, Direction des Etudes, 11 Avenue Khereddine Pacha, Tunis, Tunisia (on condition of paying 300 Tunisian Dinars or equivalent).

The limit date to withdraw the bid documents is 20th June, 1981. The limit date of response is September 15th, 1981.

The constructors intending to bid must inform ETAP (Direction Etudes) by telex at least two working days before withdrawing the bid. documents.

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BUILDING AND CIVIL ENGINEERING

£24m Abu Dhabi market

TENDER documents in connec connected by open pedestrian wind towers to cool the mall

.The market has been commis-The market has been commis-sized by the Town Planning be accommodated in the main Bepartment of the Government market together with four bankof Abu Dhabi and it will be ing areas, two cafes, four constructed on a 15-hectar site children's play areas and

tion with a £24m market project ways to a separate, single areas and perimeter pedestrian in Abn Dhabi are expected to be storey, 6,014 square metre areades. vegetable market

white Young Emirates were taken strength of the town. Internal courtyards with four-appointed principal consultants thoring system will keep the and project managers for the shops cool. A mosque holding scheme following an inter-appointed principal design competition last the two market areas. Buildings in the market will

Concrete arches, 18 metres high, will be a feature of the main entrance capopies and the whole complex is to be surrounded by gardens'and parking spaces for 1,050 cars.

Apart from White Young Emirates, the design team includes Fletcher Ross and Hickling (Architects), White Young Consulting Engineers (civil and structural engineer-The project calls for a two- be concrete framed with 26 ing). White Young Prentice gorey main market with a total metre high, 14 metre diameter Royle (services) and Langdon area of 55,600 square metres domes, barrel vault roofs, and and Every (quantity surveyers).



A concrete barrier 1,100 metres long, believed - job by Whatlings Civil Engineering, the main to be the longest of its type in the UK. is being installed on the A329 Dundee-Forfar trunk road in Scotland. Precast concrete units, each 3 metres long, are being used for the

Plean Precast. The barrier was designed for the Scottish Develop ment.Department by the Tayside Regional Council.

Managing a

£20m job in

THE construction programme

for all facilities buildings.

including the headquarters of

Esso Chemical and the control

centre at the new ethane

cracker and terminal at Moss-

morran, Fife, is to be managed

Included in the project will be

Heery which is the British

division of the Atlanta-based

American architectural engi-

neering firm, Heery and Heery,

will act as an extension of

Esso's project management

staff, assisting with the design

brief and preparing budgets and schedules. Heers, also places architects, engineers and

supervises constructions

by Heery Associates (UK).

Scotland

Office blocks and factories

TWO office blocks and an order the block will have a Conder be of steel-framed construction

Wimpey to more than £44m. The larger of the office blocks The contract also covers is for Wimgrove Developments mechanical and electrical it will cost £2.35m and will be services, car parks and external built on the Viables Industrial

Estate, Basingstoke, Hants. Offering 50,000 sq ft of office accommodation, some 25,000 so it of which has already been Wavin Plastics. let to Digital Equipment Co.

for 21 advance factory units. Kingsworthy steel frame, a pre-bring the total value of the cast concrete first floor and roof short bored piles and concrete latest contracts awarded to and an external cladding of ground slab. Walls will be of

services. The other office block, valued

at more than Elm, is to be built on the Cocklebury Industrial Estate, Chippenham, Wilts, for

The two-storey building will

blockwork cavity construction with facing bricks. Now under way for Redditch

Development Council on the Washford Industrial Estate, the factory units are being built by Wimpey at a cost of £1.3m. They will have heights ranging from 4 metres to 6.7 metres and be finished in brickwork and pyc

£17m road award

section of the M65 Calder tract for the erection of 18 flats Valley road is to be constructed at Morley for Anchor Housing by Cementation under a £17.3m

The contract calls for 4.8 km out road improvements on the of dual, three-lane carriageway and a start should be made today. Earthworks will include excavation of 630,000 cubic metres of material and some 500,000 cubic metres of

Also included are about 14 reinforced, precast structures of various types, and the installa- A DEVELOPMENT of 53 houses tion of safety fences, traffic communications

Hospital

University of Nigeria teaching hospital at Emigu has begun. It will be a 1,000-bed hospital and will be built in two pheses.
The first phase (560 beds)
will cost £26m and is due for completion in November 1983. YRM International, in association with Femi Majekodukini.
Associates, Nigeria, was appointed to design the

Work is being supervised by YRM and FMA. Structural and flats at Felsham Road Estate, civil work has been designed by Putney for the London Borough Ove Arup and Partners and the of Wandsworth. The contract is quantity surveyors are Tillyard worth nearly film.

THE COMMAN

- v- :: 12

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:27

COMPANIES in the London and have been appointed by W. H. Northern Group have won con- Smith to provide quantity sur-Builders (Midlands) is building Thames Street, Kingston-upon-70 flats at Melton Mowbray for Thames, Surrey, The £320,000 Melton Mowbray Borough fitting-out contract is being Melton Mowbray Borough fitting out contract is being Council at a price of more than carried out by A. J. Dunning Elm. The work is scheduled for (Shopfitters). completion in August 1982.

is to build 59 dwellings for for factories on Pattison Indus-Normid Housing Association in trial Estate. Wolverhampton for over £1m • Largest of nearly £480.000 and at Netherton Dudley, it is worth of contracts awarded to to build eight houses for West- Fairclough Building is one for

Further north, West and Sons lington, into 23 single-person

Two jobs awarded to (Leeds) has won a £331,000 conat Morley for Anchor Housing **Bryant** Association, while Tractor Shovels (Contracts) is to carry CONSTRUCTION OF a 4.700

A85 at Benmore near Crian Larich for Scottish Central square metre L-shaped building for BL Technology at BL's Gay-Region £500,000. don proving ground at Light-horne near Birmingham has been started by Bryant Con-Council for about struction under a £21m contract. The single-storey building More homes will include a garage, machine shop, a vehicle building area, laboratories and engine test at Milton Keynes, Bucks, has just been started by John cells. There is to be a twostorey section along the north

cladding.

Mowlem. elevation which will include The company is carrying out the £1.6m project under licence on land owned by Milton Keynes Development Corporation at and floor slab, a steel portal Pennyland 2. frame and plastic coated galvanised steel roofing and

Two-storey three and four-bedroom detached houses with garages and full central heating are to be built. Construction is timber frame, with brick cladding. Architects are the Charter Building Design Group and the consulting engineers are Scott

Modernisation has started work on the modernisation of 87

 Sleeman Construction of Exeter is to build 27 dwellings at Bartholomew Street, Exeter Devon, for Exeter City Council under a £800,000 contract.

• F. C. Harris and Partners veying services for the fittingracts worth over £3m. veying services for the fitting. In the Midlands, E. Fietcher out of its new premises in

 Washington Development The same company has also. Corporation has awarded a con-been awarded contracts in tract worth more than £800.000. Wolverhampton and Dudley. It to Derek Crouch Construction

land Homes Housing Association the conversion of a students' for £173,000. the conversion of a students' hostel, Richard Pease Hall, Dar-

Associates, Nigeria, W. H. Smith appointed to design the hospital after winning aff interhospital after winning aff international competition four years

Harp Building and flats. Value of this is £173,000. (224,000). North Bedfordshire Borough Council, acting as agents for the Anglian Water Authority, has awarded a £700,000 contract

Bryant has also gained a

£1.1m contract to convert the

100-year-old Hopmarket Hotel,

two adjoining warehouses and

some shop units in Sansome

Street, Worcester, into 44 flats

and 25 lock-up shops,

to Biggs Wall and Co. for the Ashburnham Road area surface sewerage scheme. ● A contract worth £153,000 for the supply, delivery and erection of structural steelwork and cladding at the East of England Ice Rink, Peterbrough,

has been awarded to Wall Engineering, North Walsham, Norfolk, part of the Amsteel Group. The main contractor is H. Boon and Co., Ely, Cambs. Local authorities in the East Midlands have awarded

contracts totalling £450,000 to William Davis, Loughborough. They cover the building of 17 one-bedroom flats and the modernisation of two terrace houses in Loughborough (£274,045); the modernisation of 25 dwellings at Netherfield (£92,911); and the conversion of an electricity showroom into offices for Leicester City Council

The introduction to the Paris Stock Exchange Official List of the ordinary shares of the Japanese Company

OLYMPUS OPTICAL CO., LTD.

took place on Tuesday 9 June 1981 under the management of

Banque de l'Indochine et de Suez Société Générale Nomura France

. ... O

On the occasion of the admission of the Company to the Paris Stock Exchange, an information memo for the public has been issued. A visa from the "Commission des Opérations de Bourse" (Council of the Stock Exchange) was granted:

No. 81-74 on 19 May 1981

£12m office block by Taylor Woodrow

TAYLOR WOODROW Construct curtain walling. There will be tion has been awarded a £12m perimeter columns ciad in contract by the Crown Estate Commissioners for the construction of an office block to be known as Drummond Gate South in Bessborough Street, Millbank, London SW1.

It will be a six-storey build-ing with a reinforced concrete frame supported on piled reinforced concrete foundations and clad in aluminium and glass

granite and a ring beam, which will form a balcony right round the building, at top storey level. · Architects for the contract are Chapman Taylor Partners; structural engineers are R. T. James and Partners: mechanical and electrical consultants are Haden Young and the quantity surveyors, Gardiner and Theo-

offices and laboratories. The building will have in-situ reinforced concrete foundations and floor slab a steel north. R. Mansell kept busy the non-petrochemical infrastructure such as roads, security systems and landscaping. ... and council houses work to be structure such as roads, security systems and landscaping.

REFURBISHMENTS and extensions to buildings form a large part of £3m worth of contracts awarded to R. Mansell. Among the contracts is one.

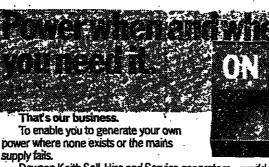
worth £528,000 for the refurhishment of the restaurant at Electra House, London WC2, for British Telecoms International another is at Awdry Pouse, Kingsway, London for W. H. Smith (£144.000) and a IN BRIEF London WC2, for Mobil O'l

Work has been started on external decorations at Tolworth Tower. Surbiton, Surrey. for the Post Office Pension Fund (£268,000) and the Corporation of London has awarded a contract for the extension of offices at 65-70 Basinghall Street, London EC2 (£405,000).

Work has also been started on refurbishment of the Tiger" Club at Esso House for Esso Petroleum (£207,000). three storey extension to the clinical research wing at King's College Hospital, Denmark Hill. London SE5 (£289,000); refurbishment of two blocks of flats at Bromley, Kent for the Omnium Housing Association (£508.000) and renovations at 54 Enpismore Gardens SW7.

Services MECHANICAL services contractor. Ashwell Scott has been awarded two major contracts by together are worth more than .000.008£

The work involves the refurbishment of services in the microbiology and biochemistry blocks and is due to be completed in August.



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COMPAGNIE INDUSTRIELLE DES TELECOMMUNICATIONS CIT-ALCATEL



Stafford ST163EH. Telephone: Stafford (0785) 45121.

to be laid for Esso OVER 70 miles of underground

Pipeline

oil pipeline running from Alton in Hampshire to Gatwick Airport and through to the south bank of the Thames at Darfford in Kent are to be laid by Loing, ducts to the Esso distribution Industrial Engineering and Construction under a £4m contract line is scheduled by mid-

November this year. The 102-inch diameter welded A crossing of the Thames at steel pipe will connect at Alton Purfleet will be installed under

The line, to be laid at an aviation fuel and petroleum pro- ing Consultants of London



terminal at Purfleet in Essex. From Alton the pipeline will awarded by Esso Petroleum.

Laing has begun work on the project and completion of this leigh to Gatwick. From there part of the Esso South-East Pipe it will continue up to the Thames at Dartford where Laing's contract ends.

with an existing Esso line-link- a separate contract. In all the ing Fawley Refinery and West -route will take the pipeline under more than 100 roads and various rail and river crossings. average depth of one metre, will Engineering consultants for supply Gatwick Airport with the project are Pencol Engineer-Engineering consultants for

£25m Sheriff Court

WORK HAS been started by chamisir Robert McAlpine and Sons lifts, on the new Sheriff Court Son

On a 24 hectares site close to the Clyde the new building will measure 91 metres by 63 Architects are Keppie metres. Generally of reinforced Henderson and Partners, concrete frame construction, quantity surveyors are John externally clad with sandstone Dansken and Purdle and civil and granite, it will include-21 consulting engineers Ove Arup court rooms and ancillary and Partners.

- Some 50,000 comic metres of complex in Cariton Place, Glasgow, under a £25m four ing work which will employ year contract awarded by the Property. Services Agency.

Some 50,000 cume include the excavation will precede building work which will employ 200 tonnes of steel reinforcement and 24,006 cubic metres of concrete.

Laing builds factories ...

FOURTEEN FACTORY units Work has begun on the are to be built by John Laing Harwood Street sile and the Construction in Blackburn, terraced and nursery units will Laucs, under a contract worth be built in four thocks to prohas been awarded by IBOS of figor space. Industrial Finance, which is Architects Industrial Finance, which is Architects for this project funding the project on behalf are Covell Matthews Histon will be more than £20m. pleted development.

more than £1m. The contract vide over 6,000 square metres

y Heery Associates (UK). of Blackburn District Council Partnesship and the quantity Cost of the work involved which will lease back the com-surveyors are Tozer Gallagher

John Laing Construction in totals more than £1.5m. At Estate at Cwmbran, Gwent. Cambuslang, near Glasgow, an advance factory is to be built and 53 garages in five communiby Laing's Scottish Region ties in Amber Valley, Derhyunder a contract worth nearly shire - Marlpool, Mapperley, £570,000 awarded by the Scot Ripley, Denby and Kirbira are tish Development Agency to be repaired and repainted Under a contract worth more under a £250,000 contract

other consultants under gen than \$622,000 awarded by the awarded to Laine's Midlands tract, monitors design and Cwmbran Development Corpora- Region by the Amber Valley tion, Laing's South West Region District Council:

WORK TO be carried out by is building 14 steel framed factory units as the first phase of England, Scotland and Wales the new Court Road Industrial

Nearly 1,000 council houses

First Union General Investment Trust Limited

(Incorporated in the Republic of South Africa) A MEMBER OF THE LIBERTY LIFE GROUP

INTERIM REPORT FOR THE SIX MONTH PERIOD ENDING 30 JUNE 1981

The board of directors of First Union General Investment Trust Limited has pleasure in announcing the unaudited estimated consolidated results of the company and its subsidiary for the period of six months ending 30 June 1981.

Six months Six months Year ended ended 30 June 1981 30 June 1980 31 Dec. 1980 Net profit after taxation

Less: Dividend on preference shares (Estimated) (Actual) (Actual) R10 883 000 65 000 130 000 Net profit attributable to ordinary shareholders (Notes 1 and 4) R7 050 000 R5 437 000 R10 753 000 Number of ordinary shares in issue on which earnings per share are based 74 520 000 74 520 000 Earnings per ordinary share 14.43 cents Ordinary dividends (Note 3) Interim—declared 12 June 1981 Final—declared 10 December 1980 4.50 cents . 450 cents **7.00** cents 4.50 cents 11.50 cents 5.5 cents Net asset value per ordinary share (Note 2) 273 cents 253 cents 278 cents

The income of the Trust does not accrue evenly over each half-year period of the financial year but is dependent on the timing and dividend policies of the Trust's underlying investments.

The net asset value of 273 cents per share was calculated at the close of business on 10 June 1981 after deducting the ordinary dividend herein declared.

The total ordinary dividends for the year ending 31 December 1981 can be expected to be not less than 14 cents (1980: 11.5 cents) including the 5.5 cents interim dividend herein declared.

Surpluses or deficits on realisation of investments are transferred to a non-distributable reserve in terms of the articles of association of the company and are not included in the results above On behalf of the board

J. R. McAlpine (Director) DECLARATION OF INTERIM ORDINARY DIVIDEND IN RESPECT OF THE YEAR ENDING 31 DECEMBER 1981

Notice is hereby given that interim ordinary dividend No. 41 of 5.5 cents (1980: 4.50 cents) has been declared in respect of the year ending 31 December 1981 payable to ordinary shareholders registered in the books of the company at the close of business on Friday 26 June 1981. The ordinary share register of the company will be closed from Saturday 27 June 1981 to Saturday 4 July 1981, both days inclusive.

The dividend has been declared in the currency of the Republic of South Africa and cheques in payment thereof will be posted from the offices of the Johannesburg and United Kingdom transfer secretaries on or about 24 July 1981.

In accordance with South African Income Tax Statutes, non-resident shareholders' tax at the rate of 15% will be deducted from dividends where applicable.

Cheques in respect of ordinary dividends issued from the United Kingdom office will be drawn in the United Kingdom currency equivalent on 17 July 1981 of the Rand value of the dividend payable (less appropriate taxes) except where shareholders concerned have given written notice of their election to be paid in South African currency and such notice is received by the United Kingdom or Johannesburg transfer secretaries on or before 3 July 1981.

lopsimespire 12 June 1981

Johannesburg 2000

By order of the board J. M. Cane (Secretary)

D. Gordon (Chairman)

Registered office Guardian Liberty Centre AFC Security Registrars Limited 39 Wolmarans Street Brasmfontein Johannesburg 2001 P.O. Box 10499

Johannesburg transfer secretaries 4th Floor 80 Marshall Street Johannesburg 2001 P.O. Box 62306 Marshalltown 2107

U.K. transfer secretaries Charter Consolidated Limited P.O. Box 102 Charter House Park Street Kent TN24 8EQ

For the convenience of readers the dates when some of the more important company dividend statements may be expected in

the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the

LOCAL AUTHORITY BOND TABLE

Knowsley (051-548 6555) 121 1-year 1,000

BASE LENDING RATES

Effective from June 13

EQUITIES

nergy Res. & Servics 475 at Charlotte Ast Tst 13 T.GlobalRec.Inv Tst 103

At maturitys by EIPt

Annual Interest

interest able

Trusthouse
Forte...June 25 Int. 2.25
TunnelJune 19 Final 6.0

United Gas
United Gas
Inds.July 10
"Wedgwood ...June 19
"Whitecroft ...June 22
"Woodhead ...June 24
"Final 5.2

Discount. July 15 Int. 9.0

(Jones)...June 19 Fine) 5.0

*Board meeting intimated. † Rights issue since made. † Tax free. § Scrip issue since made. ¶ Forecast.

gress pay- Minimum of

■ Guinness Mabon 12 ■ Hambros Bank 12 Heritable & Gen. Trust 12

Langris Trust Ltd.

Midland Bank

■ Morgan Grenfell

■ Samuel Montagu

Hongkong & Shanghai 12 Knowsley & Co. Ltd. ... 14

Edward Manson & Co. 13

National Westminster . 12

Slavenburg's Bank ... 12

Trade Dev. Bank 12 Trustee Savings Bank . 12

TCB Ltd. 12 United Bank of Kuwait 12

Wintrust Secs. Ltd. ...

Whiteaway Laidlaw ... 121% Williams & Glyn's 12 %

Norwich General Trust P. S. Refson & Co. 12 Ryl Bk. Canada (Ldn.) 12

sum

bond

Produce...June 23 Final 3.22

English China Clays...June 18 Int. 2.5

FerrantiJune 24 Final 3.555

GranadaJuly 3 Int. 1.584

King...July 3 Final 3.5 Hambros June 16 Final 12.5 IC GasJuly 1 Final 13.0

Group...July 9 Int. 2.75
*Ind. Timber...June 16 Final 5.6
*Johnson

Kenning Meter...June 18 Int. 1.75 NorcrosJune 27 Final 3.56

Matthey...June 17 Final 12.0

Authority

parentheses)

(telephone number in

A.B.N. Bank 12 %

American Express Bk. 12 %

Amro Bank 12

Bank of N.S.W. 12 % Banque Belge Ltd. 12 %

Banque du Rhone et de la Tamise S.A. 121%

Bristol & West Invests. 13 % Brit. Bank of Mid. East 12 %

Brown Shipley 121% Canada Perm't Trust . 13 % Cayzer Ltd 12 %

Cedar Holdings 12 Charterhouse Japhet... 12

Choulartons 12 C. E. Coates 12. Consolidated Credits . 12

Co-operative Bank*12

Corinthian Secs. 12 The Cyprus Popular Bk. 12

Duncan Lawrie 12

RECENT ISSUES

Over 15, up to 25...

F.P. 24/6 F.P. 10/7 F.P. 12/15 F.P. 12/15 F.P. 22/5 F.P. 5/6 F.P. 5/6 F.P. 30/6 F.P. 29/5 F.P. 29/5

Bentley Laboratories in search for new partner

BENTLEY LABORATORIES, a Bentley, claimed that Fiat had hope we will now find a nice Californian medical supply broken aspects of the agree- partner to accelerate that company controlled by Fiat of ment he had reached with them growth," he said. Italy, is up for sale. Bentley on distributing Bentley pro- Bentley was formed in 1964 made this announcement on ducts, and demanded back his by Mr Bentley and has experi-Friday, after an agreement shares. between Fiat and Mr Donald

of a large block of shares. been heard in London next 24 per cent of the company Bioengineering International, it merger. bought 30 per cent of the company's stock from Mr Bentley. and chief executive of Bentley,

Horten lifts

By Our Financial Staff

HORTEN, the smallest of the four leading retailing groups in

West Germany, is increasing its

dividend payment for 1980 after

a modest increase in after-tax profits to DM 22.5m (\$9.65m)

compared with DM 20m in 1979.

The dividend is being raised to DM 4.50 per share against DM 4 in 1979. The turnover of

the Horten group dropped last year to DM 3.3bn (\$1.42bn) from

DM 3.7bn in 1979 as a result of

the company's decision to transfer its food sector to the

Edeka supermarket chain. Taken alone the 57 stores

Brown Boveri und Cie, the
 56 per cent owned offshoot of

the Swiss engineering group, expects a "noticeable" increase

in sales for 1981, after a gain

of a tenth for the first five

achieved sales of DM 3.03bn,

dividend

The agreement between the merger partner, during which \$33.8m in 1978 to \$51m in 1980 This litigation was to have time Mr. Bentley will control and net profits in that period

Mr. Joseph Stemler, president Brown of Baltimore. Fiat then went on to buy an welcomed the agreement as an additional 10 per cent of Bentley stock, which is traded in
the over-the-counter market in
the U.S. But last year, Mr

welcomed the agreement as an last week at the company a market
put behind the distraction of value of about \$120m before a
the U.S. But last year, Mr

growth opportunities. "We on June 22.

enced very strong growth in recent years, after an unsuccess-Bentley, the company's chair-man, for Flat to drop litigation two sides is an effort to clear ful diversification into dialysis between them over the control two years to find a suitable Sales have increased from Sales have increased from

grew from \$600,000 to \$4.4m. month. Fiat became involved and Fiat 16 per cent. Each Two investment bankers have with Bentley in 1978, when side has agreed to vote its been retained to consider through a holding company, shares in favour of a suitable merger partners: Lehman merger partners: Lehman Brothers Kuhn Loeb, and Alex

Bentley's stock was trading last week at \$52 per share,

Pennwalt plans disposal

PENNWALT CORPORATION, acquisitions and divestitures, concern, expects to sell assets year. worth at least \$100m under its

restructuring plans.

A major objective of the plan, announced in April, would be to increase pharmaceutical

the U.S. chemicals, pharma- with the latter expected to be ceuticals and dental products completed by the end of the Pennwalt said earnings pro-

jections were complicated by the divestiture programme, but that it "certainly expects earnings from continuing operations ceutical sales to \$250m to be ahead for the year." In annually from the current 1980, the company carned \$82m over the next five years, \$43.3m, or \$4.20 a share, on it said. The plan includes both sales of \$1.19bn.

Israeli issues oversubscribed

BY L DANIEL IN TEL AVIV

ISRAEL Discount Bank Hold- this month offered Sh 450m ing Company says its offering (\$41m) of shares and options, of 3m ordinary shares and 6,000 on the Tel Aviv Stock Exchange options (in 600,000 units of five shares and one option) was heavily oversubscribed.

Bank Hapoalim, which earlier offered to the public.

—the largest single issue in Israel-faced a subscription of almost 30 times for the 700,000 units of shares and options

Nippon Steel to

discussing the possibility of entering the business of developing industrial materials such as amorphous metals, ceramics and carbon fibres derived from coal.

Nippon expects to become more involved in the building of offshroe drilling rigs and production platforms for the oil and gas industry.

The steel company expects that pre-tax earnings for the year ending March 31 will be no more than Y100bn (\$442m). down from Y175bn last year, Mr Toyoda attributer the expected drop to higher costs and a weak steel market that will not allow the company to raise prices this year.

Hudson's Bay Mining buys coal group

TORONTO — Hudson's Bay Mining and Smelting said that a company it owns jointly with Minerals and Resources Corporation of Bermuda has bought Sovereign Coal Group of West Virginia and its associate, Harman Mining Corporation, for about \$152m in cash and notes. Hudson's Bay Mining, which did not name the purchasing subsidiary, said that Sovereign would be operated by another subsidiary, Inspiration Coal of Tennessee, also owned jointly.

diversify

NIPPON STEEL is investigating diversification into energy related fields and coal chemistry, Mr Shigeru Toyoda, the executive vice-chairman said in New York. He said that Nippon Steel is

Mr. Toyoda also said that Nippon Steel intends to be involved in coal gasification and liquifaction, and geothermal energy projects in the future. In addition, he said that

CURRENCIES, MONEY and GOLD Sterling weathers the storm

BY IONAS CROSLAND

MLR last week should now concede that by sitting tight, the Bank of England has seen sterling recover from the recent shake out and that if the authorities had wanted to tighten interest rates it should not have touched MLR but acted on shortterm liquidity levels, altogether much trickier task. At the beginning of June sterling stood at \$2.07 and DM 4.824 with a trace weighted index of 98.9. At its worst level last Friday week it stood at \$1.9075, DM 4.64 and

1.9475-1.962

2.3475-2.3620 5.19-5.23 76.25-76.85 14.69-14.75

1.2780-1.2875 4.66¹;-4.70¹; 123.20-124.20

186.00-187.20 2,326-2,342 11.58-11.66 11.11-11.20

9.92-10.00

33.00-33.20 4.08-4.13

recovered to \$1.9590, DM 4.6925 arm for many economies suffer- current civil service dispute but

Some of its improvement reflects a slight easing in U.S. interest rates and a downward swing in the dollar. Prime rates have fallen to 191 per cent in the case of Marine Midland and Eurodollar rates are around one point lower than the recent peak.

Leading European politicians differentials. have been calling for a sub- The Bank of England could stantial reduction in the level of have increased MLR last week U.S. rates to arrest a noticeable but not much else. A further outflow of funds and to allow call on special deposits would European rates to stabilise and have tightened up short term 93.8. But by last Friday it had provide a welcome shot in the rates by draining excess funds

-6.74 2.55-2.65dis -7.37 3,90-4,05dis

-0.57 1-1, pm -5.16 80-90 dis -5.96 141-161 dis -3.45 0.85-1.08dis

rate. The other side of the coin dictates that U.S. rates should remain high to combat inflationary trends at a time of economic expansion. Either way it seems that the dollar will be cushioned for some time to come

The Bank of England could GOLD

would have had to be handed back once the flow of outstanding revenue commenced. The edly the most interesting date on the calendar with the market having to cope with unprecedented shortages Meanwhile the flagship in the

Government's performance, a virtual halving in the rate of inflation, will undoubtedly suffer from sterling's weaker trend and may give rise to a turnaround in UK interest rates, however politically unpleasant

(£240-2411₂) (£259-2401₂)

ree	%	
nths	p.a.	
2.65dis	-5.31	June 1
-0.95dis		
-0.48dis		Argentina P
-3.73 pm	5.66	Australia De

UKT	1.9475-1.9820	1.9585-1.9595	0.60-0.35ore pm	0.75	2.55-2.65dis	-5.31
Irelandt	1.5220-1.5290	1.5230-1.5250	1.05-1.15c dis		0.75-0.95dis	-2.23
Canada	1.2039-1.2058	1.2042-1.2045	0.35-0.45c dis		0.43-0.48dis	-1.51
Nethind.	2.6570-2.6690	2.6600-2,6650	0.09-0.14c dis	-1.14	3.83-3.73 pm	5.66
Belgium	29.05-39,19	39.14-39.16	1.52-1.42c pm	6.61	15-10 pm	1.28
Denmark	7.5190-7.5450	7.5425-7.5450	9-6c pm	2.30	21 ₂ -2 pm	1.18
W. Ger.	2.3875-2.4050	2.3940-2.3950	1.26-1.20pf pm	5.16	3.08-3.02 pm	5.09
Portugal	63.70-63.40	63.15-63.35	par-30c dis	-2.84	par-80 dis	-2.53
Spain	95.30-95.95	95.75-95.95	15-30c dis	-2.83	60-80 dis	-2.94
Italy	1,193-1,196 ¹ 4	1,193-1,195	61:-712 lire dis	-7.02	20-22 dis	-7.02
Norway	5.9350-5.9635	5.9400-5.9450	2.85-2.35ore pm	5.25	7.10-6.60 pm	4.61
France	5.6900-5.7800	5.7100-5.7150	3-4c dis	-7.33	714-814 dis	-5.41
Sweden	5.0850-5.1070	5.0940-5.0960	1.10-0.90ors pm	2.35	2.80-2.60 pm	2.12
Japan	223.50-225.50	224.20-224.30	2.15-2.00y pm	11.10	5.65-5.50 pm	9.84
Austria	16.92-16.9712	16.92-16.94	101 ₇ -9gro pm	6.91	24-21 pm	5.32
Switz.	2.0670-2.1150	2.0955-2.0985	1.59-1.49c pm	8.82	3.97-3.87 pm	7.48
			J.S. currency. Fo			đ

THE DOLLAR SPOT AND FORWARD

THE POUND SPOT AND FORWARD

5.22-5.23 76.65-76.75 14.72-14.74 1.2850-1.2865

123.75-123.95

186.90-187.10 2,339¹2-2,341¹2 11.64¹2-11.65¹2 11.18-11.19

9.98-10.00

1.05-1.15c dis

1 40-1 50c dis

par-1-c dis 28-38c dis 67-79-oro dis 0.30-0.44p dis

¹.pi pm-¹. dis 65-130c dis

¼-2½ore dis 12¾-13½c dis

3-4ore dis

Morning fixing . 8467 Afternoon fixing 8472	(£239,119) (£240,816)	\$464.25	(£238,199) (£238,016)
	Gold Coins		
Krugerrand	(£247½ 248) (£127¾ 128¼) (£127¾ 128¼) (£5.65½) (£26½ 27; (£60¼ 66¼) (£65¼ 66¼) (£65¼ 66¼) (£65¼ 66¼) (£231¼ 66¼) (£297½ 301) (£230½ 235½) (£296 £98½)	\$478-479 \$2461 ₂ -2471 ₂ \$1351 ₂ -1261 ₂ \$511 ₂ -521 ₂ \$469-471 \$1164-117 \$127-129 \$127-129 \$122-128 \$575-561 \$446-451	
OTHER CURRENCH	ES		

3	JUNE 12	£		ļ <u>'</u>	Note Rates
	Argentina Peso Australia Dollar Brazil Gruzeiro Finland Markka Greek Drachma Hong Kong Dollar	1.7245-1.7285 170,94-171.94 8,736-8,794 112,385 115,186	87,70.88,14 4,4750.4,4770 58,35-58,55	Austria Belgium Denmark France Germany	14.63-14.78 11.06 11.16
	Iran Rial	156,50° 0,544 0,550 76,65,76,75 4,6150 4,6250 2,2885 2,2935 6,59,6,65	79.75* 0.2804 0.2807 39.14-39.16 2.3600-2.3630 1.1680-1.1690 3.3990-3.4020	Japan	438 444 5,19-5,22 11,55-11,67 119-122 179-1-190 9,90-10,00
2	Singapore Dollar. Sth African Rand .A.E. Dirham	1,7060 1,7080	0.8710 0.8720	Switzerland United States Yugoslavla	1.94-1.9512

EURO-CUR		INTEREST		(Market c	-	_				
June 12	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder		West German	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Y
Short term 7 days' notice.! Month Three months Six months One Year	10 ⁵ 4-11 11 11 ¹ 2 11 ⁷ 8-12 12 ¹ 2-12 ⁵ 8 13 ¹ 8-13 ¹ 4 15 ¹ 3-13 ⁵ 8	181g-183g 183g-185g 181g-1812 175g-177g 167g-171g 161g-163g	1712-1812 1712-1812 1918-1912 1918-1912 1818-1812 17-1718	111g-115g 111g-115g 111g-115g 11	31: 4 31: 4 91: 9:4 91: 9:1 10-10:8 91: 91:	115a 115a 111a 115a 12 12 12 12 2 12 12 125a 125a 125a 125a 127a 12 2	20-22 23-25 25-26 ₁₂ 23-341 ₂ 21-28 ₁₂ 19-20	20-30 25-30 243 ₂₋ 264 24-25 24-24 ³ ; 23-24	12:14 12:14 15:1-16:2 16:16:2 16:16:2 15:2-16	512-6 619-649 614-712 749-754 759-719 819-849

SDR linked deposits: one-month 16½-15½ per cent; three-months 15½-15½ per cent; six-months 14½-15½ per cent; one-year 14½-15 per cent. ECU linked deposits: one-month 15½-15½ per cent; three-months 15½-15½ per cent; six-months 15½-15½ per cent; one-year 14½-15½ per cent. Asien S (closing rates in Singapore): one-month 16½-16½ per cent; three-months 17½-17½ per cent; six-months 16½-16½ per cent; one-year 15½-16½ per cent; three-months 17½-15½ per cent; fixe-years 15½-15½ per cent; nom-nel closing rates. Short-torm rates are call for U.S. dollars, Canadien dollars and Japanese yen; others two-days' notice

The following nominal rates were quoted for London dollar certificates of deposit; one-month 18.10-18.20 per cent; three-months 17.10-17.20 per cent: six-months 16.15-16.25 per cent; one-year 15.80-15.90 per cent.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 12)

a months	U.S. COHAIS	e months c.s. dollars		of the bid and offered rates for \$10m quoted by the			
bld 17 11/16	offer 17 13/16	bid 167/8	offer 17	at 11 am each Tokyo, Dautso	working day. The banks a the Bank, Banque Nationald	are National Westminsto a de Paris and Morgan	r Bank, Bank Guaranty Trus
LONDON	MONEY RA	TES					.a4
1	Sterling (Local	Local Auth J Finance	,Discount i	Elicible Fine	CURRENCY	RATES

	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits			Treasury	Eligible Bank Bills &	Fine Trade Bilis ě
Overnight		5.14	11-12			8-12	1054-1112	,	_	
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7 days or	-	- :	_	! — 1	_		· —	· !	- 1	
7 days notice	- 1	114-1134	1112-1178	· 1	117g	1112-12	114	- 1		_
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Two months	12% 12 🖮	1248 1312	_	1314-13	125a	123,	. 114	124	121 ₈	125g
Three months.	125g-12 }	12:4 1278	1212-1234	134-13	15_{15}	127g-13	12	121 ₈ ,124 ₁	12	125
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One year	1314-131a	133a-131g	134g-13lg	135a-135a	1334	15%			. – :	
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ويمسر والمتحاط أتتحا		والمساوية					بتككنت		نصحمت	

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates normally three years 13° per cent; four years 13°-14° per cent; five years 13°-14° per cent. #Benk, bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12° per cent; four-months trade bills 12° per cent.

Approximate selling rate for one-month Treasury bills 11 11 per cents two-months 112-12 per cent; three-months 12 per cent. Approximate selling rate for one-month bills 112 per cent; two-months 112 per cent; three-months 122 per cent. Finance Houses Base Rates (published three-months 122 per cent. Finance Houses Association) 122 per cent from June 1, 1981. Clearing Bank Deposit Rates for sums at seven days Association. Clearing Bank Rates for landing 12 per cent. Treasury Bills: Average tender rates of discount 12.002 per cent.

June 12	£			£ Note Rates
Argentina Peso	9468-8488	4343-4353	Austria	32,80-33,15
Australia Dollar	1.7245-1,7285	0.8810-0,9815	Selgium	77,10-77,90
Brazil Cruzeiro	170,94-171.94	87.70 88.14	Denmark	14.63 14.78
Finland Markka	8,736-8,794	· 4.4750 <i>4</i> ,4770	France	11,06 11,16
Greek Drachma	112,365 115,186	58,35-58,55	Germany	4.67-4.72
Hong Kong Dollar	10,82-10,84		: Italy	2270 2320
Iran Rial	156,50*	· 79,75•	Јарап	438- 44 4
Kuwait Dinar(KD)	0,544 0,550	: 0.2804 0.2607	Netherlands	5,19-5,22
Luxembourg Fre.	76,65.76,75	39,14-39,16	Norway	11,55-11,67
Malaysia Dollar	4.6150 4,6250	2,3600-2.3630	Portugal	119-122
New Zealand Dir	2,2885 2.2935	, 1.1680-1.1690	Spain	1794-190
Saudi Arab. Riyal	6,59.6.65	3.3990-3,4020	Sweden	9,90-10,00
Singapore Dollar.	4,2050 4,2150	2,1510 2,1540	Switzerland	4.09 4.13
Sth African Rand		0.8710 0.8720	United States	1.94-1.9512
.A.E. Dirham	7,15-7.19	3.6705-3.6745	Yugosiavia	73.90
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FIXED INTEREST STOCKS

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Renunciation date usually last day for dealing free of stamp duty, b Figures based on prospectus estimate. p Assumed dividend and yield, a Forecast dividend; cover based on previous year's carnings. F Dividend and yield based dividend: cover based on previous year's carnings. F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. P Pence unless otherwise indicated. ¶ Issued by teader. § Officed to holders of ordinary shares as a "rights." ¶ Issued by way of capitalisation. § Ranintroduced. ¶ Issued in connection with reorganisation, merger or take over. [§] introduction. ☐ Issued to former preference holders. ¶ Allotment latters (or fully-paid). ♠ Provisional or partly-paid allotment letters. ‡ With warrants. †† Dealings under apacial Rule. ↓ Unilsted Securities Market. ‡‡ London Listing. ‡ Effective Issue price after actio.

UNIT TRUST SERVICE

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torincoming poard r	neemgs (ma	icated thus*) have b	een omerany	
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declared will not ne	cessarily be	at the amounts or ra	ates per cent	n n Sau 106 St Haller Jersey. USS 9 27
shown in the column	i headed "An	nouncement last year	."	Glit Fund (Jey.) 191.0 97 hal 34 Valued weekly Wednesday.
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*English China		Town and City	r	P.O. Box 73, St. Heller, Jersey.
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OFFSHORE &

17.85%.

7 -day deposits on sums of £10.000 and under 9%, up to £50,000 9½% and over £50,000 10%.

† Call deposits £1,000 and over 9%.

Demand deposits 9½%.

21-day deposits over £1,000 10½%.

Public Works Loan Board rates Hambers Pacific Fund Mgant Ltd.
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Non-quota loans B are I per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repaymen by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

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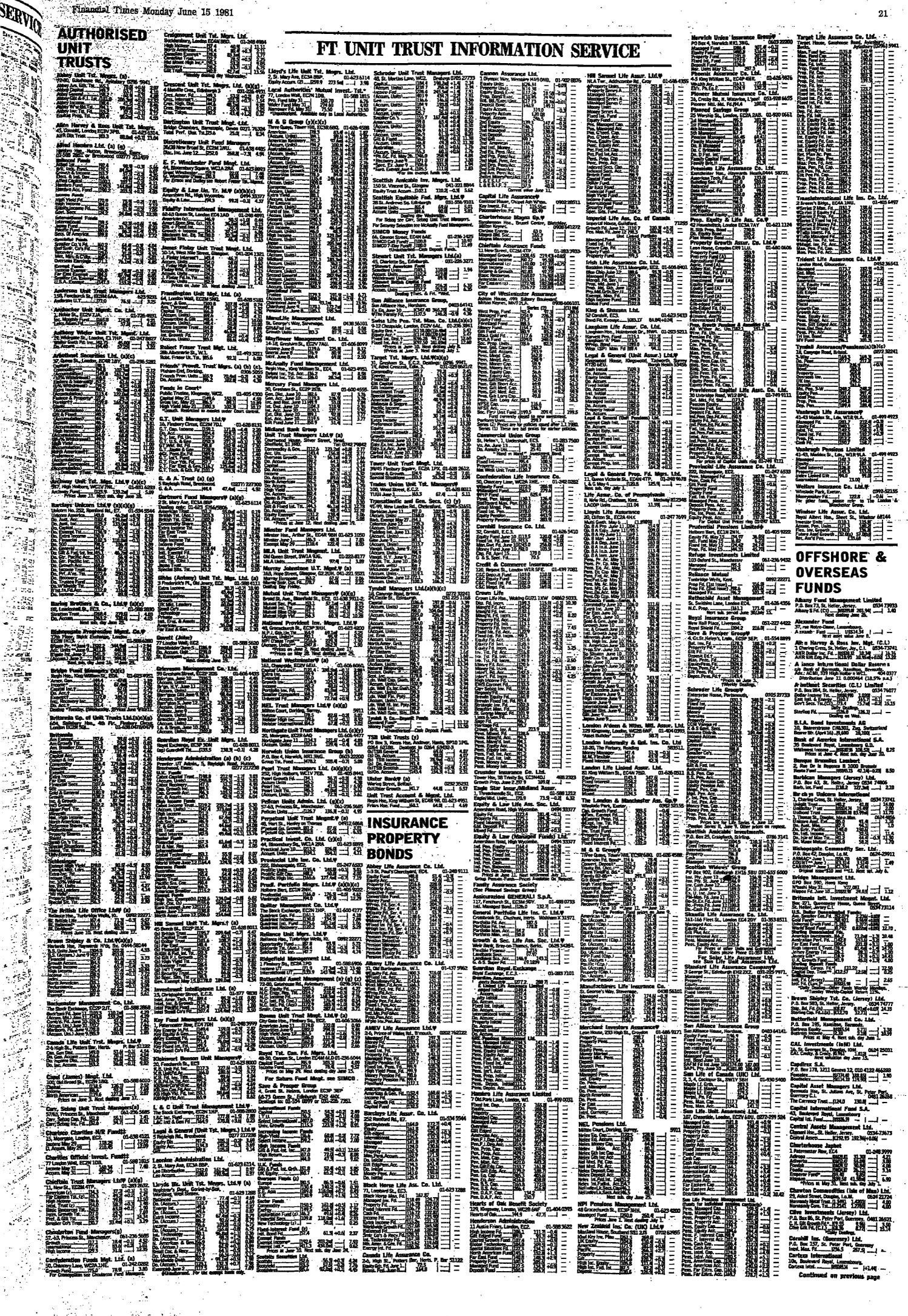
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June England (J. E.) 50. Oct F. M. C. ary Fisher (A.) 50. Sept. Fitch Lovell 20p. Apr. Glass Glover 50 June Hazlewood 20p

British Funds

Over Fifteen Years

Undated

INTERNATIONAL BANK 15A 5pc Stock 77-82..... 9034 16.1 5.51 13.56

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS 5840735235 35235

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J. Arrow Chemicals.

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Bayer AG. DM.50.

Bayer AG. DM.50.

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Jury Highland EJ. 20p.

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Jun. Kode Int.

Oct. Lee Refrig. ...

July M. K. Electric ...

Highland EJ. 20p.

July Melanine Be. 10p.

July Mohrhead ...

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July Newmark Louis

Jan Normand EJ. 20p.

Sept. Perian Elmer July

Apr. Phican 10p.

Oct. Newmark Louis

July Pethow Hidig 10p

Apr. Phican 10p.

Oct. July Pethon Hidis 20p.

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May Philips Fin. 51%

May Philips Fin. 50%

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July Canford Eng.
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INDUSTRIALS (Miscel.)

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Financial Times Monday June 15 1981

INSURANCE—Continued

INDUSTRIALS—Continued

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FINANCIAL TIMES

Monday June 15 1981

BELL & WEBSTER BUILDING FRAMES HODDESDON 67141 AN ELECO HOLDINGS COMPANY

THINK-TANK GIVEN URGENT TASK BY PREMIER

State industry probe ordered

Coal Board gets £200m to save pits

A NEW PACKAGE of financial aid worth about £200m to the but it is likely to be acceptable £200m this year. Mr. David Electricity Generating Board's

but it is likely to be acceptable f200m this year. Mr. David to both, despite grumblings. Howell, Energy Secretary, indi-

to £500m.

BY JOHN FLLIGIT, INDUSTRIAL EDITOR

THE Prime Minister has ordered an urgent report from the Ministers have had to accept past 20 years. Central Policy Review Staff on that they have wider and more the deteriorating relationship detailed responsibilities, partly between the Government and because they cannot let major McIntosh, then director general the nationalised industries.

She has given the CPSR—the Government's "think-tank" relationships on a new footing. Frustrated by the failure of

the industries to meet annual financial targets, and annoyed accept that there are serious by the continuing battles over their investment plans, Mrs Thatcher is in effect admitting that the Government's original ideas for controlling the in- investment programmes. dustries have failed.

they would basically need to do principles and practicalities of was to set external financing the industries' relationships with limits (a form of cash limit)

BY MARTIN DICKSON

to be unveiled by the Govern-

The package will be the Government's fulfilment of an

expensive bargain it struck with

the coal industry last February,

national strike over planned pit

The Government agreed to review the tough financial limits it had set for the Coal

Board, which enabled the NCB

to abandon its closure pro-

gramme and the unions to call

Austrians

launch big

bank rescue

By Duncan Campbell-Smith
A BIG banking rescue
operation has been launched

pent to assist two banks with

loans of Sch 1.7hn (£51.6m)

outstanding to the OEKG

engineering group which col-lapsed earlier this year.

A draft Bill which is now

at the centre of a political controversy is being con-sidered which would allow the

loans to be effectively re-

financed by the state-owned

Finance Guarantee Company.

Together with other related

debts. The total package could

involve up to Sch 3.5bn. .
The banks concerned are

the Oesterreichische Laender-

bank, which is majorny-owned by the Austrian

Government, and Credex, a

Vienna-based export finance

subsidiary of the Midland group of the U.K. The hor-rower. OEKG, was a 50 per

cent subsidiary of the state-

owned electrical engineering

loans of Sch 1bn to the insol-

vent OEKG posed a critical problem in the aftermath of

a series of had dehts. In 1980

it had to omit a dividend for

the first time in its history. In April, the chief executive

and three other board mem-

bers resigned.
The technical details of the

Government's proposed rescue

package are still far from

FGG will assume responsi-bility for the OEKG debts and

guarantee the repayment of

The Laenderbank will then

repay the FGG at the rate of

4 per cent of the principal

each year for the next 25 years. It is believed that it will be required to pay interest to FGG at 8 per cent

per annum.
It is thought that the over-

all cost to the bank of govern-ment assistance could amount

to a smuch as Sch 240m per

annum, almost equivalent to

half the gross operating in-come achieved in 1979

COVERNMENT

decided in principle to abolish

the six metropolitan county

The Cabinet committee, which

decided this part of the upper

tier of local government should

20, wanted to implement the

decision as soon as possible but,

This is largely because much

the reallocation of functions at little.

work has to be done to work out

district level. All seven

authorities have been under

it now realises that it might

BY ROBIN PAULEY

councils in England.

have to wait.

clear. It appears that the

Laenderbank,

concern, Elin.

the

The assistance will fall short

when miners threatened a major

ment tomorrow.

National Coal Board is expected to both, despite grumblings.

British Steel go into liquidation, and partly because they cannot Government's "think-tank"—
until July 31 to recommend
changes that could put the
relationships m a new footing.

> Ministers have also had to practical considerations limiting the spread of their "privatisa-tion" policy and that their basic economic policies are affecting

The "think-tank" is there-Ministers had hoped that all fore being asked to examine the individual Ministries and the

The aid package will fulfil

two basic purposes. First, it will allow the NCB to keep

open about 20 loss-making pits

which it had planned to close

this year because of falling

demand and Government finan-

Second, it will enable the board to subsidise the sale of

the excess coal it is currently

producing, thereby reducing

Britain's imports of cheaper

last March that these two aims

No significant changes in the

strategy are likely, though the

critics of the Treasury approach

have consulted together and

They will say this meeting

should be the first of a series

of broader economic debates

which they hope will in time

The Treasury is adopting a

low-key approach to the meet-

ing. There appears to be a

deliberate attempt not to push a tough Treasury line too

desire to set the scene in

detailed background papers and

Cabinet over the question of collective responsibilty.

Yesterday, amid mounting

speculation over the causes of

Mr. Benn's illness, close friends

were insisting that he was in

good spirits and on the way to

a complete recovery. Mrs.

Frances Morrell, his former

political adviser, sald he would

leave hospital within the next

week, but under strict medical

instructions to rest completely

for four to six weeks, which

could take till the end of the

current session of Parliament. However, the Charing Cross

Hospital where he is staying

indicated that doctors were not sure of the cause of his illness

lands, West Yorkshire and South

ture in 1981-82 derived from

rates and grants is estimated at

£1.33bn. In addition, the GLC

will spend £500m — plus £737m by the Inner London Education

Authority, technically a GLC

The Government feels the

GLC, ILEA and the metropoli-

tan counties spend very large

amounts of money and do very

The metropolitan counties lost their strategic planning

sub-committee.

the Greater London Council and Yorkshire. Their total expendi-

Labour control since the May function in the Local Govern-

local government elections. ... ment Planning and Land Act The six metropolitan counties 1980 and, like the GLC, are now are Greater Manchester, Mersey Tresponsible for transport, refuse

encourage discussion.

change the balance of policy.

direction of the

will air their doubts.

The NCB told the Government

Australian and U.S. coal.

cial constraints.

But this has not worked various organisations during the ance criteria in several indus-

The last Government had a of the National Economic Development Office. In particular this recommended the creation of a two-tier management structure to include new toplevel policy boards. It also said that Ministers should take powers to issue precise instructions to the industries.

The Labour Government did not go ahead with the policy board idea. The present admin-istration rejected the idea that government should issue directives because it did not want to be seen to be intricately in-volved in the industries' busi-up by the Commons Select Comness affairs.

The "think-tank" was called in by the present Government last year to advise on pricing

cated the Government would

accept this. However, the NCB

further assistance which could

have cost the Government up

Mr. Howell is expected to tell

NCB officials and union leaders

tomorrow that they will not get

This would take the industry's

external financing limit for 1981-

1982—its Government-imposed

borrowing ceiling-from £886m

THE CABINET will have its sultation, while flushing out any sion has touched bottom will be

first lengthy discussion about alternative policy proposals. The given by a clutch of economic

on Wednesday against the back- to concern calls for additional be published after the meeting.

pointing to a flattening-out of investment, which are in trial production figures, due on both the recession and the general being resisted by Wednesday, will show how far

papers point toward mainten-

against inflation are to be con-

There is apparently a desire

calls for further public spending

But no one in Whitehall

cuts, partly to avoid provoking

doubts that such cuts are the

Treasury's main aim through

the summer, as indicated by Mr

Nigel Lawson, Financial Secre-

and that Wednesday's meeting

is intended to prepare the

ground for tough expenditure

removal of his forceful voice and might not discharge him points to a duller, more predictable debate. It also takes the thing conclusive. It could his plan to resign and contest

tested for arsenic or metal

poisoning, a known cause of

the nervousdisease from which

he is suffering, but said his

recovery depended on a long

The announcement yesterday by Mr. Eric Ozden. Labour MP

for West Derby, that he may

resign and force a by-election, shift the focus of the Left-Right

Mr. Ogden, one of the early victims of the new re-selection

struggle within the party.

has side, Tyne and Wear, West Mid- disposal but not collection, fire, too few children to make a local

plicated. There are two areas

of serious difficulty in dividing

Transport, because London

Transport cannot be run on a

boroughs are too small and have

Education, because some

borough-by-borough basis.

at this stage to play down the England

munisters.

The deal will have important

more than about £200m.

Cabinet to meet on economy

as recession hopes improve

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

economic

the economy for nearly a year most contentious issue is likely

ground of new official statistics finance for nationalised industry

strongly. Instead there is a tary to the Treasury on Friday;

This approach is partly in- decisions later in the summer.

Benn illness Continued from Page 1

heat, for the moment, out of his neither confirm nor deny re-running battle with the Shadow ports that Mr. Benn was being

Government plans to abolish GLC

its duties.

tended to answer criticisms Further evidence of the is unlikely about alleged past lack of con- Treasury view that the reces- the earliest.

period of rest.

solidated.

early resistance.

to about £1.05bn.

There are at least three other report prepared by Sir Ronald studies now in progress on financing issues, particularly concentrating on investment problems. The Treasury has a joint working party with the Nationalised Industries' Chairmen's Groupwhich itself has a working party looking at the impact of monetary controls.

> The Treasury is setting up a widely based working party under the auspices of the National Economic Development Council. This will probably be chaired by Mr. Bill. Rowrie, a Treasury deputy secretary, who is this afternoon giving evidence mittee on the Treasury and the

Mr. Rowrie is likely to repeat for each industry each year. The Treasury. Successive govern-last year to advise on pricing the Treasury's view that there industries would then be left ments have commissioned a and efficiency issues. This led is little scope for relaxing the to manage their own affairs.

ernment agreement with the

NCB was announced last

any idea of a cut in imports.

the CEGB will be prepared to

cut use of imported coal to less than 1m tonnes this year.

It would retain its Australian

contracts for 2m tonnes but

would sell much of this on the Conutinent and burn more

expensive NCB coal in its place.

The Coal Board would then

make good any financial loss

statistics this week, mostly to

In particular the April indus-

activity has levelled out and

There will be close interest

The retail prices index on

Friday is likely to have a mixed

message. The 12-month rate of

increase in mid-May should

have been near or less than the

12 per cent rate in mid-April.

confirming the slowing since the peak of 21.9 per cent a year

ago.
There is growing evidence

that rapid deceleration is over

for now. A single figure rate

is unlikely till next spring at

the subsequent by-election as an

independent Labour candidate.

Success on his part would be

the strongest possible protec-

tion for the kind of parliament-

ary democracy that Michael Foot has fought for all his life,"

To give in without a fight, he warned, would undermine the

Mr. Eric Heffer. Mr. Foot and many members of the National

Executive Committee who would

per head. Debt charges

total net debt of £2.7bn or

in 1981-82 coincidentally total

All of this debt and debt

servicing will have to be re-

distributed among the boroughs

its quarterly

in the views of the Bank of

England in its quarter bulletin on Thursday evening.

Budget tax increases.

Treasury background whether output is still declining

ance of the present strategy, if this afternoon will show if

the recent gains in the battle demand has slipped since the

Civil Service.

and the unions then demanded February, the CEGB opposed

in jeopardy

Midland Bank has agreed to sell its Thomas Cook travel cheque business to a group of European banks is in jeopardy because of a dispute between German banks and other members of the Euro Travellers' Cheque organisa-

The Euro Travellers Cheque organisation (ETC), a con-sortium of leading banks in the UK and on the Continent, has been planning to take over the Thomas Cook company and introduce a uniform Euro-

ETC also plans to develop a joint travellers cheque with Mastercard, the international credit card and cheque com-pany. The world market in travellers cheques is estimated at about \$35bn (£17.9bn) a

year.
But in the past few days
a dispute has developed between German banks opposed to the Thomas Cook deal and ETC's leaders in Brussels. As a result, the sale of Thomas

a problem for Europe's travellers cheque system because it raises questions about the future of European payments systems, including cards of all types," he added.

Germany, he explained, because of a desire among German savings banks and commercial banks to establish a unified system of banking services including cheques, automated

Midland Bank said yester-"We are disappointed with this turn of events. but Thomas Cook is both profit-

Weather

Shetland Sunny periods, Showers, Max. temp. 15C (59F). NW England, N Wales, IoM. rest of Scotland

WORLDWIDE

victims of the new re-selection procedures, was dropped by his constituency party last weekend in favour of a Left-wing polytechnic lecturer, Mr. Robert Wareing.	be discarded "once they done the work that others them to do." If Ogden said that, if ected, he would apply for dmission to the Parliatary Labour Party.	Algiers Amsdm, Athens Bekrein Barcina, Berrut Belfast Belgrd.	S 27 S 28 C 19 F 26 S 26 S 26 F 19 S 21	8 82 9 66 8 83 7 81 6 79 9 66 1 70	Jo'burg L. Pims, Lisbon Locemo London L. Ang.1 Luxmbg. Luxmbd. Luxmbd. Luxmbd.	55555F555	mid 17 23 39 77 25 23 23 41 35	°F 63 73 102 81 77 73 73 106 95
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police and the administration educ of justice. These functions could be inte- grated into the role of the metr metropolitan district councils, estim probably more cheaply, with £6991	ew children to make a local attion service viable. Here is also the problem of anding debt. The six opolitan counties have an lated total net debt of m or £62 per head—bugh Tyne and Wear's net	Cardiff Cas'b'ca Cape T. Chicg.t Cologne Cpnhga. Corfu Danvert Oublin Dbrynk.	C 16 26 25 25 25 25 25 27 28 29 18 29	51 79 59 77 59 86 48 64 84	N Yorkt Nice Nicosia	SSSFSSRSS	18 27 26 35 15 28 35 11 25 30	64 81 79 95 59 79 55 52 79 86
aware of the service provision debt relative to the rate charge, says the Cabinet. The CLC is much more come for the	of £169m represents £146 head. Debt charges for year will total about £111m he six. e GLC and ILEA have a	Edningh () Fore S Florence S Franklt S Funchel C Geneva S Gibritt S	31 32 32 36 26 22 23 25	88 90 79 72 73	S'ciscot Singapr. Stekhm. Stresby	5 S S	26	75 52 88 61 77 88 79 79

Midland's **Thomas** Cook deal

A £14m DEAL under which

pean travellers cheque.

Cook may be scrapped.

Mr David McWilliam, chief executive of ETC, yesterday

acknowledged that the conflict had reached a serious stage.
"The crisis has arisen from Germany's reaction to the decision by ETC to proceed with the acquisition of Thomas Cook," he explained. This acquisition was ap-

proved more than a year ago by the ETC board which includes 11 bankers from Euro-pean companies. Since last year, Thomas Cook has been preparing for the transfer of its management to ETC, said Mr McWilliam. This is more than just

In Frankfurt, a leading

German banker involved in the conflict confirmed that the collapse of the Cook deal could have broader implica-

A problem had arisen in

A united system in Ger many, however, might not be possible under the Thomas Cook-ETC plan because of an understanding recently between the German Savings Bank Association and American Express.

able and viable on its own."

UK TODAY TEMPERATURES near normal. South: cloudy, a little rain North:

showers England, S Wales, Channel Cloudy. Rain. Brighter later.

Max. temp. 21C (70F). NE England, Borders, Edinburgh, Dundee, Moray Firth Dry. Sunny periods. Max. temp. 19C(66F). NE & NW Scotland, Orkney,

Sunny periods. Showers. Max. temp. 18C (64F). Outlook: Normal temperatures. Dry. Sunny intervals. Showers in North and East.

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		mid	day	·l		mia	dás
	_	°C	٩F			•c	°F
Ajaccio	S	27	81		rg:S	17	63
Algiers	S	28	82		15, S	23	73
Amsdm.		19	66	Lisbo	n S		103
Athens	F	28	82	FOCEL	no S		81
Bahram	S	36	97	Londe	on Ş		77
Barcina.		27	81		17.† F		
Berrut	Ş	26	79	Luxmi	bg. S		7:
Belfast	F			Luxor			100
Belgrd.	ş	21	70	Madr		35	95
Borlin	Ř	19		Major	'ca \$ ja \$	30	
Biarritz	5	24	75	Mala	ja Ş		
Braghm,	C	20		Maita		29	
Black pl.	C	15		M'ch:		17	
Bordx.	5	28	82		ıt S	28	82
Boulgn,	Č	13		Milan	S		81
Bristol	F	19		Monti			
Brussels		25		Mosc			57
Budpst,	F	20		Munic		23 20	73
Cairo	S	35		Nwcs	tf. F	20	68
Cardiff	C	16	61	N Yo	rkt R		64
Cas'b'ca		26	79	Nice	\$	27	81
Cape T.	S	15	59	Nicos	ia S	26	79
Chicg.t	Č	25	77	Open	e S	35	95
Cologne	C	25	77	Oslo	F	15	59
Cpnhgn.	Ř	15	59		Š	28	73
Corfu	ä	30	86	Pragu	σŠ	35	95
Danvert	F	9		Rykjyl	. R	11	52 52
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Dbrvnk,	Ċ	29	84	Rome	Š	30	
Ednbgh.	č	17	24	Solzbr	9. S		86
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		31	86	e cist	יוס	11	52
Florence	S	32		Singar		31	88
Frankft.	S	26	79	Stekhr	n. <u>F</u>	16	61
Funchai	C	22		Stresb		25.	77
Geneva	S	23	73	Tangie	S	30	88
Gibritt.	S	25 15	77	Tel Av	iv Ş	26	79
Gl'sg'w	č	15	59	Taneril	ie Š	23	73
G'msey	S	17	63	Tokyo	R	21	מל
Helsinki	¢	8	46	Traid	t Ĉ	16	61
H. Kong	ř	28	82	Tunis	8	28	83
lb-L	•	25		V-l	. c	20	800

64 Venice 68 Vienna 63 Warsaw

THE LEX COLUMN

The trigger-happy pension funds

of ordinary shares in UK quoted companies exceeded £14.5bn at market values, and their net new investment in UK shares last year was £1.6bm Since pension fund investment

is in theory concerned only with the very long term, the size of these institutions ought to be a source of strength and stab-ility for the UK capital markets. Unfortunately, the reverse is true. There is evidence that pension fund managers are becoming increasingly preoccupied with their performance over the very short term, to the extent that the fate of large companies is being decided by fund managers'

perception of the likely movement in share prices over the course of only a few weeks. Between 1963 and 1967, the turnover rate of pension fund portfolios implied that the average holding was being retained for almost 24 years. By

1973-77, the implied period was down to about six years. In 1980, the pension funds turned over nearly £5bn of UK ordinary shares. British Sugar is the latest of string of companies to find

out what this approach can mean in practice. The indications are that it was the pension funds succumb to the buying raid by S. and W. Berisford on Friday. The insurance companies, led by the Pru, were less willing to abandon the company's management to the hands of an unwanted predator at what was by no means a knock-out price.

The most likely explanation

for this difference lies in the way that the performance of individual managers is assessed. Over anything but the very long term, the returns on a life insurance fund are the concern only of the actuary and the Almighty. Anyone else will find it impossible to get a pictureof what has happened from one year to the

It is a different story for pen-sion funds, especially those which are managed under contract by independent organisations like a merchant bank. In this case, the fund manager's ability to get and retain new business will be determined to a much greater extent by the short term track record, Every three months or so, the manager may have to explain to his trustees why he did not accept an offer for his Eagle Star shares a few pence above the current or why he holds shares at all in such a troubled com-

The pension funds are a managers seem so trigger happy. be left with a stake ranging the end of 1979, their holdings of ordinary shares in UK quoted approach is bound to bring political trouble. If they want to retain the freedom of investment choice, it is up to trustees to ensure that it is not abused.

Syndicated bid

Myson is not exactly a household name-but a change in its ownership over the next few weeks could point the way to an interesting new role for the investing institutions. A group of nine institutions (none of them pension funds) is undertaking what is believed to be the first syndicated takeover of a quoted UK company. Myson's recent history is

depressingly familiar. Highly geared and suffering from a collapse in demand for its heat-ing, ventilating and air-coning, ventilating and arrounditioning equipment, it was forced into the arms of its principal banker, Barclays, which agreed to switch a portion of debt into convertible preference. But here the story parts with

tradition. Two former GEC executives approached city institutions with the idea of a takeover, and having obtained the necessary backing launched an offer worth £61m. In some respects this re-

sembles a management buy-out The difference is that Myson is a quoted company and the management is being brought in from outside.

For the nine institutions, this

represented a bold step for ward. As it bappens, the company's founder and chairman accepted the offer and tendered his shares but the institutious could have found themselves in the awkward position of making a contested bid. The prospect, apparently, caused several to duck out.

But the syndicate is stall it may have to obtain at least 80 per cent in all for the venture to be worth while. To achieve this target, it will need 30 per cent, that they should

holding. Myson will retain its deposit contract.

ever, have an unwritten commitment to hold on to their shares and will be involved in a joint company owning 20 per cent of the aggregate syndicate holding They will receive franked income from preference shares in this company while the two managers will end up owning ordinary equity in it on which dividends will be paid when the

preference shares have been

The institutions are, in some respects, taking on the role performed by commercial banks in Germany. Removal of the existing management was central to the offer and the syndicate is clearly prepared to take a long-temp position. Clearing banks in Britain tend to take a softer line. Barclays did not insist on management changes as a con-dition of the debt conversion

Financial Futures

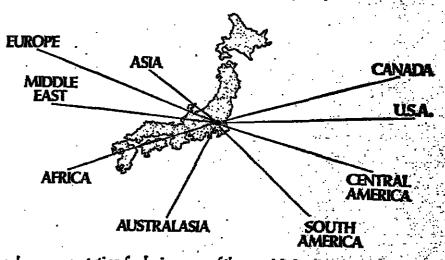
The London financial future market is still scouring the City for premises, so it would be premature to judge the likely success of the venture. But it is already apparent that establishing short-term interest-rate contracts will be a headache. The market's proponents had been waxing enthusiastic about

sterling and eurodollar CD contracts until last week, when it emerged that bank time deposits were becoming the favoured option. One difficulty with the CD idea was the acceptability of the security to all market participants. By switching to the deposit idea. the buyer of the contract could nominate a favoured bank But a more compelling argu-

ment against the CD was the potentially poor liquidity of the market. The Bank of England taking a gamble. So far it has is no longer discouraging the 29.9 per cent of the shares and sterling CD (indeed it is now allowing very short paper to be issued) but current money market trends leave it rather on the sidelines compared with to persuade a majority of the gast-growing market in Myson's 3,500 small share bankers acceptances. The issue holders that the offer price of 68p is a fair one. Myson sporadic, with much of the bas traded as low as 25p this year but, with the offer emanating from a group of portfolio York and Chicago markets are considered. The issue of the same accordance of the same accordance of the same accordance of the same accordance. The issue of the same accordance of the same accordance of the same accordance of the same accordance. The issue of the same accordance of t investors, they may be tempted now examining the idea of euro to hold on. And the syndicate dollar CD contracts themselves will also need to persuade other a development which could institutions, which hold around narrow the liquidity of the London market further and pose delivery problems for partici-If the takeover is successful, pants. It is hard to see how there will be little unusual this difficulty would be over-about the level of institutional come by switching to a time

For such a small country, our connections are surprisingly widespread.

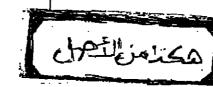
The islands of Japan are tiny. They make up only 0.2% of the land masses of the world. Yet our connections with the international business world reach right round the globe. Beyond our offices in Japan we have in excess of fifty in centres as far apart as Bangkok and Brussels, Lagos and Lima, Sydney and Seattle.



And we have a reputation for being one of the world's leading specialists serving the needs of international business. Which stems from over 100 years of making life easier for international businessmen.

If your business is international, Bank of Tokyo can do a great deal to help it run more smoothly. Our London office will be pleased to give you any information you may need.





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